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History of the C.I.A. Intelligence Organization

September 1983

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HISTORY OF THE GEHLEN INTELLIGENCE ORGANIZATION

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History of the GERMAN Intelligence Organization

I. Basic Report - Overall Historical
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Basic Report

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Following is a reconstruction of events leading to the transfer to American custody of certain personnel and files of the former German intelligence services and of the handling and exploitation which they received from the time of transfer until November 1948.

I.

1. Having decided in his own mind by the end of 1943 that there was no further hope of German victory in the war, Generalmajor Reinhard GEHLEN, Chief, Preussische Heeres Ost (PHO), made the further decision in the spring of 1944 to take action to save from destruction the basic records of the German intelligence units under his command. In so doing, he reasoned that it would be necessary for him to prepare not only for the postwar period of military defeat and resultant confusion but also for the political conditions which would prevail at that time and that for him no neutral position, in a world divided between East and West, would be tenable. His decision was to ally with the West and to do all possible to make available to the West, and specifically to the Americans, his own experience and that of personnel of the German services which had operated in the East and which had accumulated valuable records pertinent to their operations against the Soviet Union.

2. Between the spring of 1944 and the late fall of the same year, GEHLEN pursued this line of reasoning but carefully discussed his proposed action with no one except Oberstleutnant Gerhard WESSEL, his deputy and closest associate during this period. WESSEL was fully informed of the development in GEHLEN's thinking, was in full agreement with the decision, and was in a position to help lay plans for implementing the overall plan. Toward the end of the year Oberstleutnant Hermann BAUM, Chief of the Frontaufklärungslabstelle I Ost, intelligence collection office subordinate to GEHLEN, was informed of the intentions of GEHLEN for salvaging

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records and personnel for turn-over to the American forces and similarly expressed agreement with the proposals outlined to him. From this time onward during the remaining months until the end of hostilities, plans went forward, in part secretly and separately but with complete collusion between the two chiefs (and WESSEL), for the safeguarding and retention intact of as much as possible of both the Frede Heere Ost and the Leitstelle I Ost. Both, according to the plan agreed upon, were transferred as military and other developments permitted to redoubt areas in Southern Bavaria which ultimately were occupied by American troops, through when fulfillment of GEHLEN's plan was possible.

Frontaufklärungsleitstelle I Ost

3. In November 1944 BAUN, as Chief of Leitstelle I Ost and in implementation of GEHLEN's plan, informed his subordinates Hauptmann Siegfried GRABER, Hauptmann Hans von LOSSOW, Oberleutnant Adolf TIETZ and Hauptmann BÖNDIGHEIMER of his intentions, and ordered Oberstleutnant Vladimir KUDASCHEFF, his special adjutant, to establish a "Dienststelle" in Bavaria. Accordingly, KUDASCHEFF was occupied with preparations for the functioning of this unit from this time until the middle of February 1945, when the officer who had been designated to command the "Dienststelle" was killed in an air raid. Soon thereafter, presumably as a result of swift moving military developments, matters were taken out of the preparation stage and personnel and files of Leitstelle I Ost made a series of moves. Having been moved from locations further east to Harnekop, near Berlin, the main body was removed from there in February 1945 to Bad Elster, near Plauen, where it stayed until April. On 6 April, it again moved south, passing through Memmingen and Rittenberg, to an area in southwest Germany near the Swiss border. Leitstelle I Ost proper was established in Sterklis bei Rittenberg, a radio section in Hinterstein, and a documentation section in Obersdorf.

4. By the time it reached Bad Elster, according to one report, the "Dienststelle"

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had already "lost many things" and was greatly reduced. Its files had been divided into those which were considered to be important and those which were unimportant. The ultimate disposition of the unimportant records, i.e., whether burned, lost or buried, is not clear but those of greater value were handled according to plan: having been taken from Bad Elster on to Sterklis bei Rittenberg, they were placed in the custody of a farmer, BEISSEER or BEISZERT, fmu, and specific guard personnel were assigned to see that nothing happened to them.

5. There are no complete records on the size of the Leitstelle I Ost staff which was established in the Bavarian retreat area but it would appear that BAUN and at least a dozen or so of his key personnel were in the Sterklis area during the last few weeks of the war, as well as an unknown number of subordinates. The extent to which BAUN informed his staff members of the agreed upon plan is also unknown but it would appear that from the time of withdrawal of Leitstelle I Ost units to Harnekop, efforts were made to move as much as possible of the collection staff and files to the south and that such moves may have been more of a logical development from the deteriorating military situation and less of a "plot" on the part of a few selected officers than were similar moves by the PHO. Contact was established between the two groups by GEILEN personally when he and WEISSEL visited BAUN in Bad Elster on 10 April prior to going to his own retreat area but it has not been established how many of BAUN staff members were aware of the purpose of this meeting (instructions to BAUN on procedures following the end of hostilities) or of any overall plan.

Example Heeres Ost

6. In the early months of 1945 GEILEN made the general nature of his plans known to the following additional PHO officers, whose aid was to be required for their fulfillments: Major Horst HIERMELZ, Major Albert SCHONELLER, Oberst Heinz Danko HERRE, Major Hans HINRICHs and Hauptmann Voldemar HINDERSIN. It is clear that by this time GEILEN's own thinking had developed to the point where his target was actually reconstitution of German intelligence units, i.e., went beyond merely contacting

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American Army officers possible prior to the end of the war and turning over this material, but it would appear that no member of his staff was informed of any such long range plans until April 1945 at the earliest. A selected few officers were informed during the closing months of the war, individually and on a need-to-know basis only, of his intention of having FHO files duplicated or microfilmed, on one pretext or another, for eventual transfer to hiding places in Bavaria and that it was intended that certain FHO personnel would retreat to mountain huts in the same area for as long as should be possible or necessary just prior to and after the end of the war, when contact was to be established with the American Army. With the possible exception of WESSEL, individual staff members probably were given little more insight.

7. Within the FHO the necessity for secrecy and careful planning was extreme since HIMMLER had been attempting since May 1943 to obtain control of all military intelligence and secret (positive) intelligence collection work. Counter measures which were implemented by GEHLEN and his staff to forestall this eventuality included the detachment of WESSEL from the FHO from 20 January to 1 April 1945 as O-2 to HITLER's Heeresgruppe, for the express purpose of keeping the SS at a distance, while the FHO headquarters meanwhile was making a business of playing host to the high ranking SS officers, in an attempt to convince them that nothing was being concealed from SS eyes, that the basis for FHO work was belief in ultimate German victory, etc. However, in February or March 1945, the presentation of GEHLEN to HITLER for the first and only time resulted in an opportunity of some significance to GEHLEN's postwar intelligence plans. Because he was displeased with the analysis and estimate of the military situation which was provided to him by GEHLEN (regarding moves of the XIIth Ukrainian Army), HITLER relieved GEHLEN of his FHO command on 9 April 1945 and gave him the alternative of becoming a division commander or heading a reserve officer's unit. GEHLEN chose the latter and in conjunction with his now

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capacity was able to arrange for the transport of his files, microfilm and microfilm duplicates, to southern Germany for burial. This was accomplished, with the aid of the confused military situation, by merely having them loaded on trucks and transferred. GEHLEN proceeded to Bavaria immediately following his dismissal, stopping on his way on 10 April to coordinate with BAUN in Bad Elster on steps to be taken following the end of hostilities. With the dismissal of GEHLEN, WESSEL became head of the FHO and for the rest of the month of April was at Zossen, near Berlin, at work dissolving that organization. When he left Zossen on 24 or 25 April, parts of the FHO had already left for the south and he presumably had completed plans for removal of remaining parts which were to be so moved.

8. The three areas to which both files and personnel repaired, specifically, were mountainous areas near Schliersee, Wilder Kaiser and Marquardtstein. According to the testimony of Albert SCHOELLER, several truckloads of files were personally given by him to his father-in-law, Rheingold Max BARTENSTEIN, for safekeeping in his house or in mountain hiding places selected by him in or near Neuhaus am Schliersee. Hans HINRICHNS similarly has stated that FHO OB card files were taken to a hunting lodge at Rimbach (near Bad Reichenhall, at the foot of Watzmann Mountain) where they were hidden beneath fodder, while microfilm duplicates were sent to a separate place. The remainder was dealt with similarly by key FHO staff members who supervised its hiding in other forest lodges, huts, etc. Staff members took up their positions in various huts where they remained until shortly after the end of the war, each of the three areas being forced to operate on its own when efforts to establish three-way radio contact were unsuccessful.

II

9. On approximately 20 May 1945 or about two weeks after the end of the war, rumors reached the FHO "redoubt" that all German soldiers who were hiding in the hills would be shot by the Americans, if caught, as the war was over and there was

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no further reason for hiding. Accordingly and because there had been indications that the hideouts had become known to the occupying troops, the decision was made by GEHLEN and the group that was with him to report to the Schliersee PW camp. Independently, WESSEL and a group of about eight with him reported on the same day to the Hulpolding PW camp, nearest Marquardtstein. There was no contact between the two groups and, by prearrangement, neither group gave indication of acquaintance with persons of the other two groups. Thereafter there ensued a period when the files remained in the hills, all FHO personnel who were interned were without knowledge of any of their associates except those with whom they were interned, the fate of the entire BAUN/Leitstelle I Ost group was unknown, and there was no contact with GEHLEN, who had been removed to a separate camp.

10. In the next days, i.e. prior to the end of July 1945, almost all FHO personnel were released, exceptions being certain General Staff officers, including Horst HIEMENZ, Heinz Danko HIERRE and Gerhard WESSEL, who remained in one camp or another during this period. BAUN was finally taken into custody on 29 July, unknown to the others, but by this time the treatment which GEHLEN had received upon separation from the others and the steps which he had taken toward fulfillment of the original plan had already gone far toward determining the future of the former German intelligence personnel concerned, - those still interned, those released, and of BAUN and his subordinates. Actions and efforts of BAUN for a number of reasons were correspondingly ineffectual, insofar as ultimate developments were concerned.

Reinhard GEHLEN and Development of Plan.

11. Almost immediately following his internment, General GEHLEN was transferred (27 May 1945) to the 12th Army Group Interrogation Center (later 12th Army Group, still later USFET, Military Intelligence Service Center or MIS) and was installed in one part of the so-called General's House (von Bergen House, Bodenstedtstrasse) in Wiesbaden. Here he was in the company of such persons as Governor FRANK of Po-

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land, Pastor NEIMAYER, Otto SKORZENY, Marshall von RUNDSTEDT and Admiral Horthy, received strictly VIP treatment, and as of early June had undergone no interrogation of any sort.

12. In early June 1945, GEHLEN was sought out at the Generals' House by Captain John BOKEH, American Army Interrogator whose interest was in talking to persons who might be knowledgeable in the field of Soviet Intelligence. In a quiet talk with GEHLEN, BOKEH discovered that GEHLEN was in fact well-informed and not only in a position to give information on German experience in operating against the Soviets but had an organization which might be reassembled and records which might be recovered for exploitation. In addition, he was impressed with GEHLEN's favorable disposition toward the Americans and the conclusions he had reached regarding the probable future line-up of the West against the East. GEHLEN, for his part, found the ear which he had been hoping for. A series of further meetings between the two took place and in short order it was agreed that BOKEH would initiate immediate efforts to convince higher American authorities, against considerable anticipated opposition, to authorize the reassembly of the GEHLEN FHO Staff and the BAUN Leitstelle I Ost Staff, to be put to work on the exploitation of their own files and the gathering of further information against the Soviet Union, with whom the US was still allied, for the benefit of the US Army.

13. Thereafter, in a space of two or three weeks, BOKEH selected and obtained the cooperation of three other American officers whom he considered to be qualified and suitable for promotion of the project; obtained authority from Colonel PHILP, Commanding Officer of MI30, to take possession of the ground floor of the second building of the Generals' House (Pagansteiner House at the same location) for (fairly secure) offices for the project, which was to be treated as top secret; and put GEHLEN and three other high ranking German intelligence officers (Colonel Konrad STEPHANUS, G-2 of Army Group Mitte; Major von LUTZENDORF, G-2 of the German VIII

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Corps; and Captain Herbert FUHNER, interpreter on GEHLEN's staff, who were joined to the group largely to keep them away from other American interrogators) to work in the Pagenstecher House on a "complete history and analysis of German Intelligence methods in connection with Soviet Intelligence on the War Department, Army Group, Army and Corps level." BOKER's reasoning was that a tremendous selling job would be required in order to carry out the plans that had been laid and that the work of GEHLEN and the other three officers would result in the most impressive possible document in support of the scheme.

14. Having secured GEHLEN in a "safe house" and having taken steps to prevent other American or allied personnel from knowledge of or contact with GEHLEN, BOKER set about the main task of locating and secretly assembling FHO staff members whose names and probable location as American PWs had been provided by GEHLEN. With the concurrence of MISG (Colonel PHILP), he proceeded to by-pass normal channels for locating German prisoners of war (i.e. formal written requests sent through Army channels) by making personal trips to the various PW camps. There he briefed the German officers whom he contacted on his link with GEHLEN and by telling them in advance that requests for their release for work with GEHLEN were being expedited, attempted to obtain their cooperation on the best working basis. His further aim in so doing was to avoid drawing attention to the fact that deliberate efforts were being made to reconstruct German intelligence units. As a result of these efforts, according to BOKER, by the middle of July 1945 he had succeeded in obtaining the release of GEHLEN's "key members and staff" and their transfer to Wiesbaden, had ascertained from them the location of the hidden files and had recovered "all of the important documents", and was by this time "very much ^{aware} of the gold mine" which had been found.

15.¹¹ BOKER then turned his effort to the problem of convincing US military authorities at the highest possible level of the value of his project. The group initially

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constituted consisted of what amounted to a staff of former military and intelligence officers who, because of their experience and the recovered files, could be put to work preparing historical and research papers but who, as the connecting link with a former intelligence collection apparatus, also offered even greater assets. BOKER decided to attempt to gain authorization for his project on the wider basis of its intelligence collection potentialities, while keeping the GEHLEN staff busy turning out short term papers, to justify its existence as a unit until such time as the lengthy survey and historical study could be completed.

16. ¹¹ The problem of selling the GEHLEN project to Army intelligence authorities was simplified and considerably aided by the studies which were prepared by the GEHLEN staff and which could be presented as evidence of their competence to handle such subjects as Soviet tank production, manpower, army strength, probable demobilization policy, etc. These were made available to Colonel PHILP, MISG, and were instrumental in convincing him of the desirability of having the project established as a working unit under Theater G-2. Subsequently, in late July 1945, Colonel PHILP arranged for (Later A-3/60) a meeting between BOKER and Brigadier General E. L. SIBERT, G-2, 12th Army Group, at which BOKER submitted a memorandum outlining the project. General SIBERT gave his approval to the General plan, with the qualification that no efforts were to be made to activate BAUER and his intelligence collection staff. This meant that the Army was buying the idea of maintaining a group of German specialists, whose knowledge, experience, services and files could be tapped on questions pertaining to the Soviet Union but that for the time being at least, nothing could be done toward ensuring that collection assets did not disintegrate.

17. ¹¹ At this juncture an event which could not be foreseen threatened the entire project. Having become aware of the existence of the GEHLEN group, a representative of G-2 Washington (Lt. Col. ORONICH) summoned BOKER to a conference in Frankfurt and informed him that he was recommending that the entire mass of records and files which had been recovered be forwarded to the US. Protests of BOKER that the usefulness

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of the group would be largely destroyed if the men were separated from the documents on which their work depended and even a minor threat to invoke Congressional influence in preventing such a separation were without avail. Nothing could be done when a cable was received from the War Department a few days later directing that all of the GEHLEN group and their documents be forwarded to PO-Box 1142, the detailed interrogation center operated by G-2 War Department and located at Fort Washington, Alexandria, Virginia. General SIBERT could do nothing in the face of a directive from the Pentagon, although his convictions were clear and he did not hesitate to take the responsibility for the retention in Europe of one member of the GEHLEN unit, for the specific purpose of locating and then acting as the contact man with BAUN and his people, of whose existence the War Department was unaware. In the middle of August, GEHLEN, HINRICH, LUETGENDORF, SCHÖZLER, FUNKNER, STEPHANUS and all of the files, accompanied by BOKER, were flown to Washington. WESSEL, meanwhile, remained in Germany with the task of locating BAUN and advising him of developments. Those American officers who had been rung in on the project by BOKER also remained in Europe and remained in contact with WESSEL.

Hermann BAUN

18. BAUN was arrested on 29 July 1945 by the 80th MIH Detachment at Hinterberg, Sonthofen, as a former member of the Abwehr. His preliminary interrogation took place on 17 August at the 3rd Army Interrogation Center, Freising, where it was noted that he was knowledgeable on the subjects of the organization and personnel of Leitstelle I Ost, the organization of Frontaufklärungs Kommandos 101 to 103, and the training of Russian-speaking intelligence agents, could provide the names of "O-Offiziere in the East," and was "cooperative." He was interrogated in detail at the same place on 7 September on the organization and personnel of the Leitstelle I Ost down to FAK level and in this connection drew up charts to show the overall organization of the German intelligence services and their relationship to the FHO, the German High Command ^{and} that the Nazi Party during the period from June 1941 to

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March 1945. He also furnished information and sketches to show the movement and ultimate location of FAK units which had been under his command and of the final Bavaria, resting place of Leitstelle I Ost sections and files. Third Army, largely as a result of BAUN's interrogation, thus netted the relatively complete T/O of Leitstelle I Ost and considerable information on recovery of German intelligence records. As 3rd Army's interest (presumably) was in the information to be collected by interrogation from former Abwehr personnel who could be rounded up and in following through on its responsibilities regarding the security of American troops, however, the action which it took apparently was to comb the lists of names provided by BAUN and to mark them to indicate each person who "should be interrogated concerning his field of work, in which he is considered an expert" and each person who "in addition to being an automatic arrestee, is considered a threat to security and should be actively searched for and interned."

19. Precise details regarding specific efforts of BAUN to carry out the agreed upon plan are lacking. His interrogation report indicates that he provided more or less the same sort of information to 3rd Army interrogation personnel as that supplied by GEHLEN on an informal basis to BOKER. However, the only clue as to whether he may have tried to "sell" his services or that he in any way indicated that an agreement on post defeat actions had been reached between his staff and that of the MIO is the statement on a cover letter to the effect that "all other subjects of interrogation will be covered at a higher level. Anything which he may have said can probably be considered as relatively unimportant to developments, however, inasmuch as he was transferred after detailed interrogation "as requested to MIO, Oberursel, and almost immediately thereafter came into contact with WESSEL.

20. According to his own account, WESSEL was transferred to MIO, Oberursel, at the time the GEHLEN group departed for the US and there met BAUN (19 Sept.) soon after BAUN's arrival from Freising. He was able to brief BAUN on what had happened

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to this time and in the discussions which took place, it was agreed that since direct contact with GEHLEN had been cut off, WESSEL and BAUN would have to proceed on their own, unofficially, with the original plan of contacting former Leitstelle I Ost personnel. WESSEL states that he made it clear to BAUN at this time that any rebuilding of the German intelligence work which they undertook would have to be on the basis of a unified service, i.e. that there would be no separation of G-2 and positive collection work as previously, and that GEHLEN was to be the chief of the combined Staff, with BAUN as subordinate in charge of collection and a second man heading evaluation work. He states that BAUN agreed to this, at no time raising no objections or indicating reservations to any portions of the plan.

21. With departure of the GEHLEN group and the transfer of WESSEL to Oberursel, the decision was reached (presumably by Colonel PHILP) to again arrange for separate lodging and working space for this "special project." It is believed that this was done because of the fact that General SIBERT maintained his interest in the project, whose basic potentialities had not changed, because WESSEL and BAUN were still on hand, and because the need for secrecy of the project was as great if not greater than previously. In any event, the so-called Blue House at Oberursel, a group of buildings which could be kept somewhat isolated from the remainder of the Oberursel camp, became the headquarters for WESSEL, BAUN, the American Army officers who had become associated with the work at Wiesbaden, and subsequently other Germans and Americans. This also meant that matters were simplified when, within a month after the arrival of GEHLEN and his group in Washington, BOKEH cabled an American officer colleague at NISG that he had been able to obtain permission at the Pentagon not only for retention of the GEHLEN group but for an increase in its extent and scope. BOKEH took such authorization as sufficient to notify WESSEL/BAUN that he thought the work of contacting former Leitstelle I Ost field personnel could go forward. The Blue House was used from this time on (i.e. until December 1947) as headquarters and living quarters for a large part of

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the persons subsequently assembled for continuation of the project.

III

22. The treatment which the GEHLEN group received in the United States perhaps should be mentioned here briefly. Upon arrival at the National Airport in Washington, GEHLEN and the others were taken to the "prisoner compound" of the 1142 Interrogation Center at Alexandria and placed in solitary confinement. BOKER ascertained almost immediately that the War Department intended to interrogate the men but was chiefly interested in the acquisition of the group's documents. His problem was to start the process all over again of convincing the proper authorities of the importance of the group as a group in possession of its necessary working tools, to obtain adequate and separate working/living space for it, and to put the group to work on papers, as previously, which would prove their value as a unit. He instructed GEHLEN and associates to refuse to allow themselves to be interrogated and to state they were interested in speaking only to BOKER, and meanwhile, went about (successfully) achieving his aims. The group remained in Washington for some months turning out reports which were deemed highly valuable by the War Department and in time BOKER was able to obtain the permission of Colonel LOVELL, officer in charge of the G-2 documents and interrogation work, for the retention of the group and for the extension of the scope of its activities. With the assurance in his own mind that General SIBERT would continue to give full support to the project and that the basic good will of Pentagon authorities also finally had been obtained, BOKER seized the opportunity to notify those in Germany (fall of 1945) that plans could be laid for the future and himself returned to civilian pursuits.

IV

23. During the fall of 1945, efforts were made by Captain Paul COMSTOCK, BOKER's counterpart in this work in Germany, to obtain official permission for contacts to be established with former German intelligence associates of BAUM, for their location

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at least to be ascertained. Such approval was withheld until late October, early November and was finally granted, according to BAUN, in part as the direct result of proposals for the creation of a positive intelligence organization which BAUN prepared and submitted to General SIBERT on 14 October. With SIBERT authorization, BAUN and COMSTOCK made a trip between 10 and 28 November during which they located as many persons of intelligence interest to BAUN as possible, left messages for future contacts, etc. BAUN thus alerted numerous persons for possible employment with his American sponsored group, although as yet no definite overall decision on how the work would proceed had been reached.

24. General SIBERT, on receipt of BAUN's proposals, in turn gave them to Crosby LEWIS, Chief of Mission, SSU, War Department, for consideration and decision on possible exploitation of the BAUN show in toto by SSU. LEWIS' opinion on first glance was that BAUN's plans constituted "rather grandiose and vague suggestions for the formation of either a European or a worldwide intelligence service to be set up on the basis of wartime connections of Oberst BAUN and his colleagues, the ultimate target of which was to be the Soviet Union." His further assessment was that the plan in essence called for an organization controlled by BAUN under a minimum of American supervision, and that there were considerable elements of insecurity since there had been no CI interrogation of the Chief Germans who were to be the nucleus of the proposed project. He then interviewed BAUN and reached the conclusion that because of the VIP treatment which BAUN had been receiving, he was no longer "susceptible of interrogation" and that work with him probably would be difficult. Accordingly, LEWIS recommended (November 1945) that no responsibility be assumed by SSU for the BAUN project under the conditions imposed by BAUN and on the basis of the budget demanded by BAUN (\$8,000,000 per year for worldwide operations for \$2,500,000 per year for European operations only). SSU was refusing to take over an organization which could not exercise complete control, which had aspects of insecurity, including the fact that the Soviets were known to have requested

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custody of GEHLEN, BAUN, WEGSEL and others by name, and which offered possible large scale political repercussions in the US if it became known that a sizeable portion of the German intelligence service was being resurrected intact.

25. It remained for G-2, USFET, therefore, to work out the problems of its custody of the group. Certain BAUN correspondence and files indicate that early in December 1945, 2nd Lt. BROZEN, American officer, was sent from MISG to Washington to obtain a decision on whether the BAUN work was to proceed, since until this time General SIBERT's directions from the Pentagon had merely been to "do as he saw best." By the end of January 1946 still no decision had been received, however, and so it was decided, according to BAUN, by SIBERT in agreement with Colonel PHILP, to turn the whole apparatus for the time being, in order to keep it running, to III P work (i.e. OS work, BAUN having submitted his proposals for CI/OS activity to SIBERT in January 1946). The exact extent of the "whole apparatus" at this time is unknown, although it is known that efforts were being made to continue the work started by BAUN and COMSTOCK the previous fall: a stop was placed on the interrogation of certain former subordinates of BAUN who were known to be in custody and on further arrests of members of Leitstelle I Ost units which had been under BAUN's jurisdiction; as far as was possible, names of persons in whom the project was interested were removed from lists of prisoners of war normally distributed to both American and Allied units, to prevent those persons from being contacted by other parties; formal requests for the release of specific individuals were sent through Army channels and any matters of clearance for these persons expedited, etc. This was essentially a waiting period and was so considered by BAUN, who fully anticipated that authorization for European operations, as an interim step preceding the activation of worldwide activities, would be forthcoming.

a. As one practical use to which the time could be put, BAUN established a Soviet radio monitoring service in January 1946, which made its results available to ID, USFET, and earned the latter's recommendation that the service be expanded and

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additional personnel be allotted to carry on the work. The work continued until the radio set being used by BAUN required replacement of parts (March 1946), when he ran into certain jurisdictional problems involving other American agencies.

26. In mid-March 1946, finally, General SIBERT gave the word for the initiation of both positive and CI/CB work. The decisive factor at this time, insofar as the War Department was concerned, appears to have been the guaranty given to BAUN in Washington by GEHLEN. GEHLEN by this time had been working with Army officers for some time and had the full confidence of the War Department. His endorsement not only ended indecision but also provided BAUN with freedom once the approval was given than had been contemplated by G-2, USWST.

27. Thereupon, a great deal of confusion appears to have developed, partially as a result of the fact that BAUN and GEHLEN were only in postal communication with each other but also due in large part to the differing mental attitudes and aptitudes of the two men. Both BAUN and GEHLEN drafted plans for the future joint German/American effort. The proposals of both were prepared for and submitted to G-2, USWST, since it was decided that general policy would be laid down in Germany once overall approval and funds had been granted in Washington. There appears to have been no question at this time that GEHLEN's proposal was the one which established the specific and immediate frame of reference within which work could be started. However, although BAUN undoubtedly believed that he was carrying on work in Europe in accordance with mutually understood aims and procedures, it does not appear that he comprehended the basis on which GEHLEN was working or the careful methodical steps which GEHLEN felt were necessary to achieve long range aims. GEHLEN, although he had WESSEL at BAUN's side to report to him (GEHLEN) on the problems, developments, probabilities, etc., of work at Oberursel and serve as liaison officer for the German group, was in no position to follow through on the groundwork which he had laid in the US, once he had given his endorsement to BAUN and the decision had been made.

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to run the project from Europe. The work got under way some three months prior to GEHLEN's return to Germany, chiefly utilising BAUN's own former co-workers for the collection of intelligence and under working conditions and procedures vis-a-vis both agent personnel and the American staff which had been worked out by BAUN. At the precise time of GEHLEN's return to Germany, it was BAUN's show and many difficulties stemming from differences in concept and precept became apparent almost immediately.

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28. On 21 April 1946 GEHLEN forwarded to BAUN by post his own proposals, for the consideration of O-2, USFET, which he asked BAUN to give to Lt. Col. DEANE. In his letter of transmittal, he stated that he considered the most important present assignment of the German group to be the determination of whether the Soviet Union intended to solve the European problem by political means alone or to use military means to this end. GEHLEN himself believed that political means would be used but inasmuch as he recognized that Soviet policy could undergo overnight reversal, fully accepted as the aim of German intelligence work for the American Army the creation of the basis for an effective intelligence service through CB determination of Soviet activity in the US Zone of Germany. According to the plan which he worked out in Washington, specific assignments would be made by O-2, USFET, which would have the responsibility for guiding the group. Then, following the collection of intelligence in fulfillment of these assignments, an exhaustive evaluation would be made by the German staff to determine Soviet political, economic and military goals in Europe. This was the broad basic for cooperation as envisaged by GEHLEN, at once "creating the basis for an effective intelligence service" and satisfying US military intelligence requirements especially with regard to American areas of responsibility.

29. BAUN had the problem of working out the details of the cooperative work and in so doing established the pattern which was to continue for the period of Army control,

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i.e., the simple procedure whereby the Americans provided intelligence directives for which the German organization supplied the answers. His plan did not contemplate American control or contact at any of the lower levels; provided for the establishment of an organization consisting largely of former German intelligence personnel, expanded as necessary, and operating on the German pattern of delegating responsibility downward through many levels of intelligence command; required the provision of \$2,500,000 per year to start, plus certain services and items of support, etc.

30. BAUN's plan, it is believed, adhered in the main to the plan worked out by GEHLEN. However, in application it ran into difficulties almost immediately because its very simplicity encouraged an overrapid expansion with attendant problems, because it did not adequately take into consideration the economic, political and psychological conditions under which it would have to be carried out, and because the ambitions of BAUN prevented him from regarding it as anything more than a temporary expedient. During the three months' period following initiation of operations (March-July 1946), sufficient problems developed or were created to last for years, although the basis was laid for a major Soviet OB collection effort; the three months' period following GEHLEN's return (July-October) saw the firming up of the structure of the German staff, with the fusing of the BAUN and GEHLEN groups, but revealed unforeseen differences and difficulties in their joint effort. At the end of this period and during the succeeding six months (March 1946 to March 1947), repeated efforts again were made to transfer responsibility for the group to SSU but without result, particularly as the once "Top Secret" project by this time had become widely known in Army and intelligence circles in all zones of Germany.
Development of the OB Work

31. BAUN's correspondence reveals that it was at no time his aim to build up an OB collecting service but rather to rebuild a "secret intelligence service, conspiratorial in form;" it was his aim and intention to get into worldwide operations as

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rapidly as possible. GEHLEN's attitude was indicated in his statement to BAUM that the collection of military information was one means only of determining Soviet intentions, although he recognised it to be a ready basis for cooperation with the Americans; he felt that this function was necessary and useful if kept within its proper frame of reference, but that political and economic work ideally should receive the major emphasis. However, the BAUM-devised system whereby the chief function of the Americans was to provide funds and directives and receive reports in return, when coupled with the desire of the Army to exploit to the fullest the group at its command, led to what may have been an unforeseen development: the production by Q-2 of a phenomenal number of intelligence directives on military targets in the Soviet Zone to be filled by the German organisation. The latter, in order to fulfill its assigned tasks, was then more or less forced to resort to the wholesale recruitment of agents, with the result that the roster soon (October 1946) included 500-600 agents. The organisation laid the basis in this six months' period for an agent coverage of the Soviet Zone which in number and in the production of Soviet OB information was to be without rival. Moreover, its success in this particular field increased with the acquisition of more agent observers, so that the matter of more directives/more agents merely increased as the Army capitalised more and more on its investment with the result that the work came to be regarded as essential to the American sponsors rather than a temporary phase. The Soviet Zone OB work became the basis and lifeline of the organisation.

Structure of the German Staff

32. With the installation of BAUM at Oberursel, the basis was laid for the establishment of an "Information Group", as distinct from an "Evaluation Group" (or "Intelligence Group"), both of which had been projected at the BAUM/GEHLEN Bad Elster meeting. According to the Bad Elster arrangements, presumably, BAUM's staff was to constitute the intelligence gathering unit of a new unified German service, which would consist of two staffs subordinate to GEHLEN. This structure ultimately came

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into being but only after a certain amount of difficulty stemming from the fact that operational work was so largely dependent in the early phases on BAUM's ability to establish old contacts. BAUM appears to have shown definite tendencies to consider the collection work "his", to be run with a minimum of interference or knowledge on the part of the American sponsor. Moreover, the plan which he prepared for O-2, USFET, making provision for the fusion of the two groups clearly called for returning OEHLEN to Germany to the Evaluation slot and more or less clearly called for a minimum of interference by OEHLEN in the collection work.

33. BAUM's plan specified that following the arrival of the OEHLEN group, a conference would be held at the airport between Captain WALDMAN, BAUM, OEHLEN and WESSEL for the purpose of arriving at decisions on future use of personnel, and that attempt would be made to obtain agreement on the following:

- a. Establishment of OEHLEN in the Blue House as chief of an "Intelligence Group" which would be responsible for the coordination of the efforts of this group with those of the "Information Group," to be assisted by WESSEL as deputy, NIEMENZ, HINRICHES, SCHOELLER and three additional men to be supplied by BAUM for clerical, translation and press evaluation work;
- b. Recognition of the BAUM staff as the "Information Group," consisting of BAUM as chief, assisted by unspecified staff members, agents, radio monitors, Soviet press evaluators, clerical help and other assistants;
- c. Establishment of the American T/O under the direction of General SIBERT, to include: Colonel PHILP, Officer in Charge; Lt. Col. John DEANE, Operations Officer; Captain Erich WALDMAN, Assistant Operations Officer; two enlisted men as assistant operations personnel and clerks; Mrs. WALDMAN, secretary and typist; and two additional translators and typists.

34. The fact that the assembly of staff and agent personnel had in fact been accomplished through BAUM's efforts, as well as the fact that such staff personnel undoubtedly were loyal to BAUM insofar as they were loyal to either of the two men

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In these early days, made for a difficult situation when BAUH arrived to assume leadership. It appears to have been a blow to BAUH that General GIBERT confirmed GEHLEN's position as chief of all the work, to such an extent that he was never able after this time to believe that GEHLEN had not conspired and intrigued against him while in the United States. Careful handling was required by GEHLEN to gain the upper hand, to acquire the respect and loyalty of "BAUH-men" and to retain the goodwill of BAUH.

35. By 1 October 1946, the two main groups had been formed under the leadership of GEHLEN, the Evaluation Group (consisting of a small staff which directed the Information Group in the collection of intelligence as specified by G-2, USFET) and the Information Group (consisting of approximately nine persons who prepared the assignments for the agents), plus field staff personnel and agent nets. Further specific breakdown of the staff was as follows:

a. Evaluation Group:

Gerhard WESSEL, Chief

Albert SCHÖLLER, assisted by Mrs. Rudolf von GLINSKI,
OB evaluation and files

Horst HEDWIG, direction of operations against the USSR
and evaluation of all positive reports except OB.

Hans HINRICHs, evaluation of reports on Soviet IS organ-
isation and activities

Hans DINGLER, Herbert FUEHR and Waldemar HINDERSIN,
Press evaluation

b. Information Group:

Hermann BAUH, Chief

Hans Ludwig von LOSSOW, personnel, special connections and
liaison for commercial cover arrangements

Siegfried GRABER, direction of field agencies

Gustav HILGER, evaluation of reports on political and
economic problems and conditions in Eastern Europe

Rudolf von TIEZER, sifting of military, economic and political
reports

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Erich NOTZOKY, direction of counter intelligence

Fritz SCHOLZ, agent files

Ferdinand BOEDICHEIMER, radio monitoring, agent radio
training and direction

Rolf BAUN, motor pool

36. The radio work, aside from the brief project already noted, got under way specifically on 17 June 1946, when "experienced German personnel were contacted for the purpose of radio monitoring under American control." The original radio staff consisted of three men whose task was the monitoring of broadcasting stations located in Soviet occupied areas and transmitting in Russian, Ukrainian, Polish and German. Later, in September 1946, the "idea of an agent radio net was advanced and accepted by the American authorities" and in October five agent radio nets were delivered. Agent radio training schools were established soon thereafter, code procedures and radio instructions were given, radio sets were tested for operation in the field, and in November permission was obtained to broaden the radio monitoring work still further to include Soviet military radio traffic.

Field Staff

37. With regard to the development of the field offices, it would appear that the original plan called for the establishment of three field staffs, which would serve as field headquarters immediately subordinate to Oberursel. These were to have been created on a geographical basis (Northern, Middle and Southern European Centers), largely for administrative rather than operational purposes, and to have subordinate to them establishments called Residenturas, which in turn would supervise agents and agent nets. The work was initiated, however, before the group as a whole had any real structure. BAUN had established his connections with certain of his former colleagues as early as the fall of 1945 and at least one field agency dated the beginning of its work from February 1946. The recruitment of an individual and his subsequent recruitment of a network of agents brought into being the basis for a suborganisation, which tended to become known by the

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leader's name but also was given a numerical designation. For a period, leaders of all such sub-groups reported to BAUN via letter drop set up in Munich, and the same channel was used in reverse to forward funds and directives to the field from Oberursel. Later, Munich became the location of a Middle European Center, and the field staffs were brought more into line with the original plan. Under the arrangements which were made at this time, operational and agent records were maintained at the Residentura level and an intricate courier system connected agents with field offices and field offices with headquarters. Field staffs remained relatively fixed and there was little or no interchange of personnel between field agencies and the German headquarters.

30. By the spring of 1947, two of the three projected central field offices had been established, the Southern and Middle, while incipient nets extended into the Baltic states, which were to have been served by a Northern Center, were being readied. The Southern European Center was directed by Herbert DUNHAL from two establishments in Western Austria with its sphere of interest delineated as that of the former Austro-Hungarian Empire. The Middle European Center was directed by Toni HALTER, who had previously been in charge of the Munich letter drop, from Munich, with its sphere of interest coinciding with the pre-war territory of Germany and planned to include lines running into the USSR and Soviet held territory. Subordinate to this center were four main collection agencies, a CI agency working on CI/C2 targets in the American Zone of Germany; and a so-called "Professor Group," an assembly of German-experts preparing background studies on Eastern European problems. In addition, relations were maintained through one Nikolai BARANOWSKI to numerous persons belonging to Georgian, Ukrainian, Polish and White Russian emigre circles. BARANOWSKI was the sole tie to these groups, reported directly to Oberursel, and additionally provided contact with a further emigre sub-group which was headed by Peter GLAENZER and composed of former elements of

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the VLASSOV Army.

40. In addition, sometime in 1946 "in accordance with a special request of EUCOM," a separate "Liaison Organization" was set up for the purpose of handling and improving relations with CIC. It was planned originally to employ about 49 Germans and Russian members in this capacity but by December 1946, more than 80 persons were assigned to liaison roles with CIC at Region and Sub-Region levels. The names of such persons were forwarded to CIC for reference and changes and corrections were added periodically. This Liaison Organisation remained in effect for approximately three years, or until superceded by another arrangement, its whole purpose being to facilitate the identification of organization agents apprehended by CIC, prevent incidents, smooth other relations, etc.

Agent Handling and Operational Procedures

41. C-2, UARF, found itself in the unprecedented position of trying to run a large and rapidly increasing group which included experienced German Intelligence officers and, in the interests of security, to do so with less than a handful of American officers. Such officers were in a sense outclassed and outranked on almost all scores except that of authority, inasmuch as area and intelligence knowledge and experience, language facility, zeal and singleness of purpose as well as mere numbers were on the side of the Germans. In these circumstances, and with the added factor of a German desire to prevent a German organ from becoming "American" in any way that was not absolutely necessary, the line of least resistance lay in the direction of considerable latitude for the German organization in its methods of doing business. Although GENLEV showed some concern that the organization might be growing too large too fast and cautioned BAUM not to let himself to be "led astray from the principle that it is preferable to achieve security rather than to deviate from the safe procedure for the sake of success," BAUM considered that he was being pushed by "circumstances and regulations" and so proceeded to get into business as soon as possible. In so doing, he admittedly adopted certain

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practices which were not sound intelligence procedures but these did not appear to matter too much, as long as the Americans were satisfied with the product and would provide funds with which to continue work until the "sound operations" phase could be started. The latter, he fore saw, would require careful long range planning in the form of the investment of literally millions of dollars for commercial cover purposes, etc. Meanwhile, the system under which the work went forward was one in which a strong element of control was exercised at no point, either by the Americans on the German staff or by the Germans in turn on field and agent personnel. 42. Specifically, it would appear (from a review of the reports and complaints of other American agencies at the time) that the following practices were widely held to be standard with the German organisation:

a. In the matter of agent recruitment, the expedient frequently was used of simply asking prospects (albeit often former German intelligence officers) whether they would like to work for American intelligence, naming the remuneration and other incentives or advantages which could be expected. The theory apparently was that the agency which was willing to pay the "highest prices in money, political support or other medium of exchange" got the cream of the intelligence or anyway the best agents. Since the object of such a policy was to recruit, moreover, little regard was paid to such considerations as whether any given agent was already employed by another group, was suited by ability, experience or position to obtain a specific type of information, had an objectionable (from an American viewpoint) political background, etc. Not infrequently, it would appear, a willingness to work for the "Americans," at a good salary, was sufficient qualification for employment and, once given, carried with it the authorisation to recruit and dispatch further agents.

b. With regard to the handling of money and supplies, the practice was to offer high rewards, as noted above. In addition to the Allied Marks and US currency which were dispensed, incentive goods included American cigarettes, coffee

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flats, sugar, gasoline, etc., most of which were of more value than money at this time. Field agencies, according to the custom established, submitted requisitions for funds and supplies deemed necessary to the Information Group, which in turn sent in a consolidated requisition to G-2 USFET. G-2 determined to its satisfaction, through spot checks, that no "improper" or "uneconomical" use was being made of these funds and commodities and handed them over largely without question on a monthly basis. The intelligence reports then rolled in and were accepted in the same spirit. Although G-2, USFET, was "satisfied" as to the propriety of the transactions all down the line, these dealings constituted a policy of financing operations through sanctioned wholesale and uncontrolled blackmarketeering, differing from that practiced by other American intelligence units in the area in extent and the fact that such blackmarketeering was in no way peripheral in nature but fundamental to staff maintenance and the continuance of operations.

42. Agent training in the main consisted of such instructions as were given at the time of recruitment, supplemented by further directives forwarded by courier from the Information Group to the field agencies and the individual agents. The emphasis was on the speedy production of information required by G-2 and the transmission to the agent of the EGI spelling out the requirement in detail. There would appear to be considerable doubt as to whether any extensive training was given at any level or whether ordinary considerations of security in operations were impressed on agents at the field level or below. The fact of employment by the Americans ordinarily was used as a sort of open sesame and magic which would offer protection in all circumstances in the American Zone. Rather than concealing the nature of their activities, agents often flaunted it, boasted of the advantages of their situations and attempted to obtain housing, transportation and other services by threat of American authority alleged to be behind their demands.

43. Although all abuses similar to those noted above cannot be directly attributed to policies and procedures established by the German leadership, the methods were

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in widespread use so that the result was the same as if all had been fully demobilized. At any rate, at a time when it presumably should have been proceeding soundly and cautiously toward its original aim of reestablishing a German intelligence service, the organization adopted rather wild means of achieving ends more or less forced on it by its American protector. This meant, moreover, that the basis was laid for future difficulties and that an almost irredicible reputation for malpractices and insecurity of operation was acquired. A notoriety resulted which all but obscured the fact that the project was netting the Army valuable OB product, while staff and agent personnel fell into regrettable habits of thought and action.

44. A bill of particulars drawn up to include the effects of malpractices most often charged to the German organization at that time would include the following, among others:

- a. The policy of offering good salaries plus PX and CN items, transport by American facilities, etc., earned for the organization a reputation for the creation of monetary and other incentives out of all proportion to even potential intelligence yield, and earned further ill will by the fact that such incentives served as lure to agents already employed in intelligence work;
- b. The recruitment of agents to work for "American intelligence" created much confusion in German intelligence circles since it was assumed by recruits that the American employer was GIC, and more than a little irritation on the part of GIC when over a period of time GIC was both given credit for the irresponsible activity of numerous agents and was called upon to extradite and aid such agents for G-2;
- c. By failing to require even an elemental investigation of prospective agents, the Army found itself supporting a mushrooming organization whose elements were largely unknown to it but whose individual agents were increasingly becoming identified to other American agencies. The routine trace and file checks made by

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such agencies showed them that many of the agents being given solid backing by Q-2, USFMI, had decidedly questionable backgrounds and thus cast doubt on the character of the operation as a whole:

4. The fact that an American sponsored group was carrying on large scale blackmarketeering of American goods while other American agencies were devoting full efforts to curtailing the blackmarket was only one consideration: the mere possession of American goods in quantity by Germans and other non-Americans in itself was sufficient to attract attention and constitute a security hazard. A CIC search of quarters in the course of following up a rumor of suspicious activities allegedly being carried on for the Americans generally uncovered one more agent of the organization and brought down further charges of blackmarketeering, smuggling, unethical use of CIC as a cover designation, etc.,

5. Coupled with other practices, the procedure of putting voluminous OB briefs, which had been translated into German, into the hands of scores of agents resulted in still another means of identifying agents of the organization. Such REPs were extensive and followed a pattern: with great regularity agents were arrested while in possession of these briefs, which in addition frequently were said to include a "wealth of operational information with regard to border crossings into territory contiguous to the American Zone." Prior to September 1946 in the Berlin area alone, CIC had picked up more than thirty organizational agents carrying briefs (OB) on the Soviet Zone; all, moreover, had in their possession the telephone number of Captain WALDMAN.

6. Lack of any centralized documentation facilities meant that each of the field agencies had to manufacture or in some way procure the papers which were required for its work. This meant that there was not only duplication of effort and waste but that the accusation of document forgery also increased.

7. Etc.

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45. Moreover, it may be presumed that the activity of persons employed in a liaison capacity by the "Liaison Organization" were more detrimental than beneficial in numerous instances. The records show that CIO strongly resented the employment of a German or other non-American to serve as a liaison officer between two American intelligence agencies; that prolonged conflicts and difficulties between CIO officers and organization members, including liaison officers produced a certain bitterness on the part of CIO regarding CIO's assigned mission of providing security for the organization; and that despite the fact that liaison officers were assigned to foster better relations, a CIO officer on at least one occasion was moved to the point of stating that "any factor which will assist this headquarters in convincing the field that (XIB) is an intelligence organization of some merit would be extremely valuable."

VI

Further SSI Considerations Regarding Participation

46. Almost from the beginning, as previously noted, C-2 had been attempting to transfer its custody of the organization, with its growing problems, to other hands. That it was not readily able to do so stemmed to a large extent from the free hand and free wheeling operational methods which had been established, although for a period of several years, which saw the completion of numerous "investigations" and "studies" it seems to have been assumed all around that sooner or later control would pass from military to civilian intelligence agency control (SSI being so considered).

47. Following the return of GESLER from the United States, discussions once more took place (July 1946) between General SIBERT, Colonel QUINN, who was then on a trip to Germany, and General LEWIS with regard to SSI assumption of responsibility for the work. At this time General SIBERT stated that SSI "probably would have to take it over" inasmuch as the money (\$2,500,000) which he had obtained on approval from General VANDENBERG when the latter was C-2, War Department, was running out and it was not felt that C-2 could undertake to finance the group after the close of the fiscal year. SSI representatives in turn went over their objections.

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previously voiced in the fall of 1945, and went on to make a counter proposal that the entire project be examined in detail, especially since none of the group had undergone CE interrogation. General SIEBERT agreed and it was arranged that prior to his departure for the United States a plan would be drawn up under terms of which at least one SSU officer would be attached to the project to supervise a complete investigation, the latter to result in recommendations within 60 days on what parts of the current operation were to be salvaged.

48. According to internal correspondence having to do with its analysis and considerations, SSU reviewed at this time its total knowledge of and experience with the group, basic to which were two factors: a) that former members of the Abwehr and FHO were believed to be widely scattered over Europe and in the detention and/or employment not only of the Americans but also the British, French and probably Russians, and that knowledge of the employment of a large group by the Americans against the Russians was widespread among other intelligence services and among former German intelligence agents not so employed, and b) that methods of operation were notoriously insecure. In the opinion of SSU, the whole show was badly blown and current operations unsound, considerations which in large measure outweighed such factors as operational potentialities and personnel resources.

49. However, no plan for take-over seems to have been drawn up. Rather, in a letter to General SIEBERT (6 September 1946), Crosby LEWIS stated that SSU was prepared to take over complete responsibility for direction of the operation subject to fulfillment of the following four conditions:

- a. That the three officers then in charge of the project be attached to SSU for a period of 90 days following SSU take-over;
- b. That the Commanding Officer, MISG, Oberursel, be notified of SSU responsibility for the non-American personnel involved in the project and be requested to provide all normal facilities for interrogation;
- c. That any other USFET officers having knowledge of the operation on the

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General Staff or Special Staff Section level or above be informed of SSU take-over;

d. That all documents available to Oberursel or in the office of the AD of S-2, G-2, concerning any members of the group, all reports emanating from previous operations using the group, all operational correspondence originated by General SIBERT's office or by officers in charge of the operation be turned over for study.

50. Upon fulfillment of these conditions, SSU agreed to do the following:

a. Place the operation under the control of SSU Germany and appoint a qualified operations officer as chief;

b. Recruit other personnel as needed and as the project developed;

c. Study all available records and supervise detailed CB interrogation of all persons than at Oberursel in order to establish accurately their intelligence background, obtain a complete picture of wartime operations of the PEG, including names and personal data of members of agent nets for preliminary security vetting; and

d. Make recommendations on the basis of a comprehensive analysis resulting from the investigation, as to the type and scope of operations which could be mounted and controlled, using the individuals at hand.

51. General SIBERT thus was completely apprised of the SSU stand, which amounted, with certain qualifications, to a lack of interest in becoming involved in work not conducted on a basis which SSU considered professionally sound. He agreed in principle to the points outlined and left for the United States soon after this time, there to discuss the question in detail with General VANDENBERG, Chief of CIO. The Oberursel staff at about this time prepared a report for the attention of General VANDENBERG (completed 1 October 1946), which presumably was the basis for General SIBERT's discussions in Washington. This report also was in no sense a comprehensive analysis but rather amounted to a generalized accounting for the group's activities since inception which was laudatory with regard to accomplishments, personnel and potentialities, and fairly explicit with regard to the number and type of problems which required immediate attention and solution. Its crux was another

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strong recommendation that SSV take over as soon as possible and conduct the operation from the United States.

52. More specifically, the "VANDENBERG Report" of 1 October 1946 included the following recommendations:

- a. That the operation be conducted under the direction of C-2, USFET, for a maximum further period of 90 days, at the end of which time or sooner if possible, the entire operation be transferred to SSV;
- b. That the operation be directed by SSV from the United States; an operation of the expanded organization from within Germany was not considered to be practicable;
- c. That during the transitional 90 day period two SSV officers be attached to C-2, USFET, to take an active part in the direction of the operation and become conversant with all parts of it; and that close liaison be maintained during this period between C-2, USFET, and SSV, Washington, to further prepare SSV for the take-over;
- d. That SSV study all problems listed by USFET as outstanding and solve them within the 90 days period of overlap, sending representatives if necessary for discussion with BAUW and GIBLET on any questions;
- e. That SSV give due regard to the German character of the project, operating it as a unit, not merging it in any way with any other organization, and giving due care to the selection of personnel to work with the Germans in question; and
- f. That a decision be reached as soon as possible as to whether the US Army would make any future use of the organization (i.e. because of the urgency of getting into strategic intelligence work).

53. The problems which were outlined as outstanding at this time started with the question of the future financing of the organization and with due care the picture of the high costs prevailing in the "world intelligence market" were detailed. The question was raised of whether the \$2,500,000 estimated annual cost would be sufficient in the event that the intelligence requirements, working conditions of the

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organization or type of assigned tasks underwent change with a change in sponsoring agency. Moreover, the other problems which were spelled out and which SSU was requested to solve within 90 days included the procurement of quarters and gasoline, the furnishing of identification papers and travel documents on a large scale, liaison with security agencies in matters of arrest, etc. or, in other words, problems stemming from the fact that large scale operations were being conducted in and from a conquered and occupied area wherein the population was subject to close supervision. The problems were pressing ones, were these of USFET set forth in an official USFET report, and in essence reiterated a long held desire of the Army to relinquish responsibility for running the operation. It is interesting to note, however, that all problems were propounded with an eye to the future, i.e. with a view to a shift in gear in the direction of a buildup in the strategic intelligence field, with a questioning as to what changes would or might occur in access to American facilities which would affect such buildup, etc. The tenor of the report, as well as certain specific evidence in other records, indicates that the VANDENBERG report was largely prepared by members of the German organization, rather than by G-2 as SSU might have expected. The emphasis was placed on matters which had to be attended to if the organization was to get on with its strategic intelligence development, such development being assumed and argued as of the utmost importance to the prospective sponsor.

34. It is not quite clear from the records at hand what consideration was given in Washington to the report and its recommendations. No decision had been reached by General VANDENBERG by the end of October 1946, but by the end of November 1946 instructions had been issued by SSU, Washington, to the SSU German Mission to refrain from participation in the operation at any point. It is argued that the security, political and other considerations which were uppermost in SSU reportage were given sufficient weight in Washington discussions at least to prolong, if not forestall, the transfer of responsibility. At any rate, the project continued to be run by G-2, USFET,

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until the following spring when an SSU study of the extensive American personnel, potentialities, etc. of the organization was undertaken, again with the idea of SSU takeover. Samuel BOSSARD arrived at Oberursel in March 1947 and in a matter of two months produced another analysis, more thoroughgoing this time and based on a detailed on-the-spot assessment of the entire operation. Meanwhile, operations proceeded and the organization grew.

a. Early in 1947 the question of denazification of organization members received due attention. Between February and April of that year efforts were made to expedite the denazification trials of approximately 65 organizational members with their respective Spruchkammer, and upon completion of trials to obtain pardons in cases of conviction. Although, according to OMQUS statement of 6 February 1947, "in general the granting of pardons to persons convicted by the German Denazification Courts (was) contrary to the policy of Military Government and (could be) considered only for very serious reasons because of the political aspect of such interference" with the German processes which were being encouraged, in fact the OMQUS Denazification Officers were able to intervene in specific cases when provided with proper authorisation. A letter addressed to General HAYES by the American staff at Oberursel explaining to him the necessity for security reasons of keeping a (small) number of key personnel out of the regular denazification channels apparently sufficed. A letter bearing General HAYES' signature in each case was then taken to the area Denazification Officers, who proceeded to intervene or, in the view of other American agencies, to "interfere with the normal process of law."

BOSSARD Findings

55. The premises on which the BOSSARD study was made, it would appear, differed greatly from those on which Crosby LEWIS and others had worked in making previous analyses. BOSSARD acknowledged at the outset that factors on control and risk had been relegated to secondary roles in the project, yielding to the requirement of speedy and quantitative production of military information, and went further to

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describe the project as being similar to wartime operations, i.e. massive in scope, loosely controlled, and supplied rather than directed. Within this frame of reference, the almost daily encounters between agents and CIC and NO authorities were held by him to be consistent with the pattern, inevitable and "justifiable in the light of military necessity or urgency", and any analysis of evidence tending to "prove the foregoing conclusion that the operation carries with it many and varied elements of insecurity" superfluous. He credited other American agencies with alertness in detecting such insecurities, and decided that their existence (insecurities) was as much a reflection of the failure of Army authorities to effect a coordination of interests as it was a criticism of the German organization and its operating personnel.

56. BOSSARD felt that while policies of operation might change, potentialities would remain stable and accordingly concerned himself with determining just what the assets of the project actually were. Both at Oberursel and during the course of a tour of all field establishments, he conducted conversations on the "broader lines of plans and purposes", largely neglecting inquiry into the mechanics of operation, and was greatly impressed with what he found. He obtained a complete explanation of the structure of the organization on all levels and charge in the greatest detail showing current placement of agents, as well as connections to be developed in the course of worldwide operations. Such charts had been viewed by previous investigators as being "schematic and abstract" with a concentration of lines suggesting "bewildering confusion" but were taken by BOSSARD to be of great significance. He concluded that the true picture of the organization was that of a "meticulously planned and integrated operation" conducted by a staff whose motivation and basic anti-Soviet orientation were beyond dispute, and that over a period of time the project could offer CIC a valuable channel of information about Soviet strength and intentions, an intelligence service for all of Germany, and a strong core of resistance to Russian aggression. Moreover, he found that the organization had grown to 2500-3000 persons, with an output of approximately 200 reports per month, and had so "extended its

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field of activity, enlarged its purpose and increased its personnel...that it was in a position to compete, interfere with or supplement CIG operations."

57. In effect, BOSSARD's study led him to the conclusion that the development and expansion which had taken place in the organization had brought it to a point where CIG could no longer afford not to take it over, either to exploit it or to safely assure its liquidation, and his recommendation was for exploitation, reorganisation and partial liquidation. Specific recommendations were:

- a. That CIG assume responsibility for the project, immediately assigning a representative to Oberursel with full authority to convert the organisation into an instrument of CIG;
- b. That steps be taken immediately to eliminate all persons from the organisation who might constitute potential sources of political embarrassment or threats to security;
- c. That steps be taken to withdraw support and protection from non-productive and extraneous elements of the organisation;
- d. That recommendations be submitted to Washington for approval concerning both the continuation and liquidation of projects;
- e. That the aid of CIG field facilities be enlisted in the implementation of Washington instructions for liquidating, mounting and integrating operations;
- f. That CIG take as its fundamental policy the effective use of German agents to fulfill the mission of American intelligence, eliminating any features from the organization which might exert a German influence on American policy; and
- g. That CIG inform any US governmental agency concerned, as well as the USIS, at a future appropriate date, of the basic facts of the operation.

58. BOSSARD also stated, on the basis of his analysis of the two men and their relative influence and positions within the organisation, that "every effort should be made to allow OEHLEN to dominate the organisation at the expense of BAUN, possibly even requiring the removal of BAUN to the United States temporarily."

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59. G-2, USFET, cooperated by making the intelligence product of the project available to CIG for purposes of evaluation in connection with the investigation. Since OB information was of no interest or value to CIG, however, the ultimate responsibility for evaluating the bulk of the reports of the project remained with USFET, which declared them to be not only satisfactory but essential to G-2 in the accomplishment of its mission. The OB product, on the other hand, was screened by CIG, Washington, and the conclusion was reached that as a OB service the organization had not progressed beyond the earliest phase of development and appeared to be picking up OB information on a random basis only, or at any rate did not appear to be attempting to develop its leads into aggressive OB bases.

Continued Army Supervision

60. Soon after the submission of the BOSSARD report to Washington, further discussions were carried on between the Pentagon and CIG officials. A meeting was held in Washington on 26 June 1947 with Generals CHAMBERLAIN and WALSH and the decision was made for G-2 EUCOM to continue to run the operation for at least one year. Details are not available at PDB on the basis on which the decision was reached, but it would appear that such decision may have been due in large part to the fact that Washington still considered the establishment of control over the project to be of overriding importance and that no agreement was arrived at on steps which would accomplish this, i.e. which would convert the project into an "instrument of CIG" while still satisfying Army requirements for military intelligence.

61. The decision having been made for continued Army support, General WALSH returned to Europe, ostensibly with the intention of reducing the operation, splitting up its operations, and generally attempting to gain a greater degree of control over it in line with Washington discussions. His suggestion that it might be necessary to request the loan of one or two experienced intelligence officers to aid in the task was readily agreed to by CIG, although never acted upon. It was felt that while CIG COULD ill afford to spare men for this purpose, it could even less afford to have the

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project continue to operate without CIC being fully informed on what it was up to. The project was recognised as a OB target of increasing importance and one which should be penetrated or at least watched carefully, with particular attention to its attempts to become the official German intelligence service.

VII

Activation of the 7821 Composite Group and Move to Pullach

From the summer of 1947 until the fall of 1948, the German project continued to conduct its business under Army sponsorship but under somewhat improved conditions and circumstances. In the fall of 1947 members of both the American and German staffs were moved from Oberursel (move completed in early December) to a new location, the Mildehaus Compound, in Pullach on the southern outskirts of Munich. At the same time the 7821 Composite Group, composed basically of the American Oberursel staff, was activated, as part of the Munich Military Post. This move provided more adequate and secure physical facilities and at least the basis for a more adequate US military support unit. Major organizational developments continued to take place and it would not appear that the Army carried through with any drastic or effective reorganization or tightening up, although certain instructions were finally provided as a frame of reference for the US military side.

63. Apparently no directive was ever drafted by the Pentagon for the guidance of the Intelligence Division, EUCOM until the fall of 1948. ID itself never drew up any operational directives. On 13 October 1948, however, ID, EUCOM, issued a Top Secret memorandum which provided the 7821 Composite Group with instructions and definitions. This directive spelled out the contractual nature of the relationship between the American and German elements, defined the responsibilities of the American Commanding Officer and the German Leader, and established operational priorities. It specifically defined the organization as a positive intelligence collection service; prohibited operations in the US and British Zones of Austria, except transit courier traffic; forbade research in cryptanalysis; specified that minimum counter-intelligence work required for the protection of operations would be conducted and expressly ruled out contact.

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with any foreign intelligence agency or foreign government without prior approval of the Intelligence Division. The American element's responsibility continued to be that of providing logistical support and liaison with other American agencies as required.

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64. OIG continued to "observe" the activities of the German organization and in October 1948 took the initiative in suggesting that an arrangement be made with the Army whereby OIG would again be permitted to study the project and on the basis of findings again decide whether OIG wanted to take over in part or in toto. As of the same date, General WALSH advised that he finally had been instructed to cut down the operation, eliminating all parts which were not contributing to the production of OB information, and intimated that OB-2 was in need of funds. In October 1948, therefore, on the occasion of a visit by Admiral Heinz HILLEKOTTER, new Director of OIG then on a tour of installations, General WALSH requested financial help from OIG. Admiral HILLEKOTTER agreed to finance the operation for a limited period of time (extent of funds to be made available unknown), while OIG "examined those parts which the Army could not afford to keep."

65. Thereupon, instructions were issued for a reinvestigation along the same lines as the BOSSARD study, in order again to reassess all phases of the organization, including operations in countries outside of Germany, and to determine that parts of the organization should be penetrated, exploited, left with the Army, or liquidated. James GRITCHFIELD was assigned as chief investigator and initiated his study on 18 November 1948.

GRITCHFIELD Findings

66. On 17 December 1948 the final and definitive study of the German project was completed. Briefly, the study concluded that the German "project" had become a well-rounded intelligence service, which contained the elements not only of a resurgent Abwehr but also the nucleus of a future German General staff, and that the "size and scope of the organization, current political developments in Germany, and the number

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of US agencies other than the Army having a valid interest in (its) future" made a policy decision at the highest possible level both advisable and urgent. It recommended, on an interim basis, that the CRITCHFIELD investigation be superseded by the assignment of a temporary liaison officer to the Commanding Officer of the 7821 Composite Group, in order to permit CIA consideration on a project basis of all strategic operations being developed, to provide advice to the Composite Group on intelligence problems transcending the boundaries of Germany, to reduce conflicts and duplication of US intelligence efforts in Central and Eastern Europe, and to provide the basis for further CIA examination of the German organization. It was felt that the 7821 Composite Group should be continued, for cover and logistical support purposes, but that the American element should be reorganized and restaffed in such a way as to eliminate numerous problems posed for the German organization by the fact of poor organization and staffing and to facilitate entry on a period of sound operational procedures which by German admission was long overdue. The study further recommended that the Composite Group include representatives of the Army, Air Force, and Navy (if necessary), as well as CIA, and that all of these services should reach agreement on an annual basis on such questions as the appropriation of funds, area and target priorities, etc. The supervision and financial support of operations outside of Germany were reserved to CIA.

67. Following the completion of the CRITCHFIELD report, three or four months elapsed during which casual contacts only were maintained between CIA (Munich) and the 7821 Composite Group. This situation was made necessary by General CLAY's unwillingness to have the German project turned over to CIA while he was still in command in Germany, and meant that the major CIA aim of getting on with a detailed examination of operations, with a view toward shifting emphasis from tactical coverage of the Soviet OB front in protection of EUCOM security to deeper deployment of operations to meet longer range intelligence needs, could not be furthered. CIA by this time was committed to take over (after CLAY's departure) but still lacked information on which

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to make decisions and was going through the throes of adjustment and acceptance of what was still regarded as "at best a controversial intelligence package." The delicacy to be required in administering the group had become apparent, as had the necessity for maintaining at least portions of the work at full strength to fulfill commitments to the Army and Air Force; however, those elements of the project which could produce intelligence in fulfillment of CIA's mission were still unknown and could not be determined except by close on-the-spot attention.

68. The period between the completion of the report and actual take-over was utilized, consequently, for a good deal of planning. CIA representatives in Germany and in Washington reviewed with top level representatives of the Army and Air Force the question of their requirements from the project, as much information as possible and was assembled on persons who were known to be connected in one way or another with the German work (including the acquisition of captured German Army dossiers on General Staff officers now associated with the work), and considerable thought and analysis was put into questions which superficial study had indicated would later require close attention. Of these, the general financial situation of the project and the specific matter of how future financing would be handled was perhaps the most important, involving as it did all other aspects of the work, here recapitulated for purposes of placing in perspective the problems posed on 1 July.

VIII.

Finanz - Recapitulation

69. From the earliest days of the project, the relationship between the American and German leaders was based on the principle that the American representative would provide operational funds and supplies as allotted by higher authority and that the head of the German organization would be responsible for the allocation of these funds and supplies within his collection facilities so as to assure maximum intelligence production in fulfillment of missions and objectives designated by the American commander. The German leader (GEHLEN) freely accepted final and personal financial responsibility, as he thereby acquired optimum power of decision and control over his

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organisation, while the responsible American (General SIEBERT) agreed to the delegation of both financial and other complicated responsibilities, presumably because of his exclusive interest in the immediate production of military information insofar as the Germans were concerned, the absence of precedent, manpower or experience required to run such an organisation, and lack of comprehension of the long range objectives of the Germans. From the American point of view, this was clearly not a period of trusteeship but one of maximum exploitation for immediate ends, while from the German point of view it was a period of expansion, development and maximum expansion of activities, and because it was also a period of political, social and economic breakdown, neither the producing side nor the supporting (exploiting) side was able to see clearly the limits of expansion/exploitation. The inevitability of general economic recovery in Europe and the establishment of tighter rein over US intelligence involvements were considerations over and beyond the primary and immediate area of responsibility of the 7321 Composite Group, which anyway expected to relinquish its custody of the project, while the German leadership although aware finalised to note economic weatherwanes took its cue from the Army and also took no decisive action. The financial crises and strained relations which developed were a result both of the practices and procedures put into effect during chaotic post-war circumstances and a lack of planning for conversion to a sounder basis for intelligence operations in a more stable economy.

70. Following is a brief account of the dollar conversion and blackmarket exchange activities of the organisation during the postwar financial heyday, from approximately the first year of the joint work until mid-1949.

Money Conversion and Blackmarket Activities

71. Under the procedures which were set up, after the spring of 1947, \$125,000 in green dollars were drawn from the Army Finance Office in Heidelberg by the fiscal officer of the Deputy Director of Intelligence, EUCOM, on or about the first of each month. This money was transferred immediately to a representative of the 7321 Composite Group, who returned with it to Pfullach, where the commanding officer handed

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the entire sum over to the fiscal section of the German staff. With the \$125,000 the organization then launched blackmarket operations for the purpose of obtaining as much money as possible in the types of currency required for its operations, through the conversion of US dollars at favorable rates of exchange. Given the opportunities which existed in the postwar period, this meant that \$125,000 by no means represented a monthly budgetary limit, although profits thus realized were never made known to the American staff.

72. In addition, the 7821 Composite Group issued to the organization certain so-called incentive goods which it obtained through purchase, requisition or other arrangement from the Post Exchange, KMS, Commissary, Quartermaster depot or other source in large quantities. Of these items, which were made available free of charge during the first two years, coffee and cigarettes probably played the largest role both because of the tremendous quantities which were involved and because of the astronomical prices which could be obtained through sale. (The 7821 Composite Group, for instance, simply drew cigarettes in practically unlimited quantities from the Munich Provost Marshal's supplies of confiscated blackmarket cigarettes, or, in other more spectacular instances, was able to capitalize on a sort of circular arrangement which sometimes operated in a not too disadvantageous fashion: on certain noteworthy occasions, thousands of cartons of cigarettes were converted by the organization at a favorable rate along Munich's blackmarket Mäulstrasse, were confiscated by the MPs in a raid of the street, were disposed of by the MPs by return to the 7821 Composite Group, and later handed back to the Germans for use as desired.) Numerous items, however, were disposed of in bulk by sale or exchange at the headquarters or field agency level and not infrequently were accepted in lieu of salary by co-workers willing to take the risk involved in disposing of them. They netted the organization by no means minor profits and represented thousands of dollars for operational use over and above the monthly budget.

73. In the summer of 1948, however, the institution of currency reform measures

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(devaluation of the Reichsmark) by the Occupation Authorities and a EUCOM directive ending the gratuitous supply of certain rations and clothing to the 7821 Composite Group combined to affect a marked change in the locale, scope and tempo of the project's exchange activities. Devaluation brought a 40 percent depreciation of the dollar in the local market and necessitated shifting the scene of conversion activity from Germany to Switzerland, where more favorable rates of exchange could be obtained and where other markets (German industrialists in need of hard currency, elements of the Jewish immigration to Palestine) also could be utilized. Moreover, devaluation caught the organization with a large supply of Reichsmarks and with operational commitments in no way diminished. When the further burden was added of having to pay in money value for clothing and rations previously drawn gratuitously by the 7821 Composite Group, a slice amounting to almost one-fifth of the organization's monthly \$125,000, a step-up in blackmarket and conversion efforts was deemed essential and was effected through the full-tilt operation of a special section engaged in this work.

74. Illegal activities were intensified from this time until they hit their peak in the spring of 1949, in April, May and June. They were brought to a halt in June, however, when the Army abruptly stopped winkling at currency and commodity manipulations and cut off sources of supply. The fact that illegal activities were being carried on by the German group supported by the 7821 Composite Group suddenly was "discovered" by Lieutenant General C. R. HUEBNER, Commanding General, EUCOM, simultaneously with the firming up of negotiations for the transfer of the German project to CIA custody. On 28 June, within twenty-four hours before CIA officially took over, General HUEBNER issued an order denying any further issuance of incentive goods to the 7821 Composite Group, ordered the discontinuance of all blackmarketing by persons under its jurisdiction, and ended all ^{regulations} ~~regulations~~ of ERS and GM items. This cut off one of two main sources of supply for cigarettes and the sole source for many other commodities; as the last act of the Army regime, it was the first step in taking the organization out of all blackmarketing and purifying its financial

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activities and status.

75. With the assumption of responsibility by CIA on 1 July 1949, a directive was issued immediately prohibiting any further blackmarket currency conversion activities on the simple basis that such activities could jeopardize operations "without contributing anything more than lower costs." To all intents and purposes, the wholesale illegal activities phase ended at this time, although for several succeeding years CIA staff officers were involved in litigations regarding organization members who had been picked up years earlier while in possession of contraband goods. After this time the German staff was brought up short with the *de facto* existence of a budget of \$125,000 per month; requirements in the various currencies were obtained through CIA channels for German use, and all German budgetary planning was put on the basis of a fixed DM income at the then current rate. The delivery to the organization of a certain amount of operational coffee and cigarettes was arranged for for a period of about one year but on a limited and specifically authorized basis only (letter signed by Major General George P. HAYS, Deputy Military Governor, addressed to the Director of Military Government for Bavaria authorising the monthly issue of confiscated cigarettes) and on a declining scale.

1 July 1949 and After

76. By 1 July 1949 it had become clear that EUCOM and the Department of the Army required the collection of military information on the Soviet Zone of Germany, Poland and Czechoslovakia at the current rate (conversation between James GRIFFINFIELD and Generals IRWIN and HALL, 25 May 1949) and felt that it was up to CIA to increase financial allotments in order to meet this requirement; that in dollars the organization required roughly \$375,000 per month to maintain its staff and operations at approximately its former level; and that Washington (CIA) refused to authorize more than \$125,000 per month on the basis that the organization had a long history of always being in need of more money and that in any case it remained to be seen whether the project represented a sound dollar investment. Upon his

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assumption of responsibility as chief of the CIA base at Pullach, therefore, CRITCHFIELD had to order cutbacks in line with limited CIA financial allocations, was faced with the problem of satisfying the adamant chief customer by seeing that the project produced in quantity as in its earlier financial heyday, and was required to acquire the cooperation and confidence of a German staff which was by now embittered by what it regarded as the financial vacillations and false promises of sponsoring American Army officers. (GEHLEN had insisted that he repeatedly predicted devaluation before the summer of 1948 and desired to cut operations in advance but was told not to do this on the grounds that additional funds would be provided. Colonel Robert A. SCHOW, on the other hand, has stated that he personally informed GEHLEN that no additional money would be available regardless of which agency assumed control, and that his instructions to cease expansion were ignored by GEHLEN).

77. One of CRITCHFIELD's first steps was to make it clear that no more than \$125,000 per month would be available to the organization and to give GEHLEN his first clear cut directive with regard to work and staff reductions in terms of when, where and how much. These amounted to continuation of Soviet Zone and Polish OB coverage at top priority, retention of signal intelligence activities, the placing of all strategic operations on ice temporarily, the elimination of almost all Balkan operations, and overall reduction of the German staff while retaining sufficient personnel to constitute a well-rounded service capable of mounting operations. These were largely operational considerations and attention to strictly financial questions became that of reorganising the fiscal section of the organization and bringing accounting procedures into line with agency requirements.

Accounting and Reorganization of Financial Work

78. In September 1949 a finance officer was assigned by CIA to the Pullach Operations Base (POB) and the work was started of holding the German staff accountable for the use of funds. It became the agency/base policy to finance the project in the same manner as in the past, i.e. on a subsidy basis without regard to regulations on funds accountability applicable to other CIA field stations.

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specific POB aim from the outset, however, was to bring about a complete reorganisation and major overhauling of the organisation's fiscal section and subsequently to establish controlled centralized accounting procedures. Steps required to bring this about necessarily were slow, as the requirements of detailed accounts were a new and "American" concept, opposed because of unfamiliarity and inertia as well as because of general resentment against interference with matters held to be German prerogatives. The role of American sponsor could only be assumed gradually, especially as the finance office desired not to embarrass POB operations officers who were trying to gain control in their sphere by undiplomatic attempts to put financial dealings on a cold hard business basis.

79. The German organisation's financial philosophy was outlined for the American staff in a lengthy memorandum drawn up by GEHLEN in October 1949. In it, GEHLEN explained what he called the principle of free enterprise, i.e. the provision of financial means to chief agents and sub-organisations for work performed exclusively on a competitive basis, with rewards determined by efficiency of performance as evidenced by intelligence produced. This principle or system, as described, carried with it the necessity for careful selection of chief field personnel, whose performance would readily indicate whether or not confidence had been misplaced, and made it possible to reduce financial administrative and supervisory machinery to a minimum. It was the system which in its simplest form was used in the first year or so to create an organization rapidly to achieve immediate results, and in a somewhat modified form was still preferred by GEHLEN. THE American system of detailed accounting, by contrast, was held to be unnecessarily bureaucratic, as well as alien to the German mentality, although it was conceded that a compromise satisfactory to both sides might possibly be reached.

80. By December 1949, the POB finance office had had many go-arounds with the German staff and GEHLEN on questions of finance. It was determined that by CIA standards the German records were at times inaccurate, irregular or non-existent.

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and that there could be no question of not instituting specific and far-reaching reforms. The reluctance of REHLEN to be reduced to the status of American chief agent, as he felt, by the necessity for relinquishing the privilege of making all decisions on the use of operational funds without reference or accountability to the American side finally was overcome, however, and he accepted the requirements for detailed accounting procedures specified by the POC finance office and ordered their adoption by the German side at all levels, as necessary. Progress after this time was slow, inasmuch as innovations were extensive and opposition geographically dispersed as well as deep rooted, but it was both definite and measurable.

IX.

1948-1949

81. In the planning phase which followed completion of the CRITCHFIELD Report, it was assumed that the initial period of direct CIA relationship to the German project would be one of liaison and further examination (i.e. that for at least one year, the chief task of the CIA staff officers would be to assess elements of the organization in terms of overall US intelligence interests and that until this phase had been partially or fully completed, the responsibility of the Commanding Officer of the 7821 Composite Group toward the military unit and toward the German project by and large would remain unchanged). This plan was abandoned, however, following discussions (April 1949) in Washington between Admiral HILLEKOSTTER and General IRWIN, during which it was decided that CIA would assume complete responsibility for all aspects of the project immediately upon take-over, and that the new High Commissioner for Germany, John McCLOY, would receive a personal briefing on the exact status of the project prior to his departure from the US, by either General BRADLEY or General IRWIN. There was to be no division of responsibility and it was clearly understood that as representative of CIA, James CRITCHFIELD, was to be fully responsible for the entire project, including the US CIA staff, the US military detachment and the German organization. Agreement at the HILLEKOSTTER/IRWIN level also assured the continua-

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tion of administrative, logistic and personnel support to the German organization, by EUCOM through the 7821 Composite Group as approved by CRITCHFIELD, so that both the basis for and the extent of support to be rendered by the 7821 Composite Group was clear and definite prior to 1 July 1949. Any problems or conflicts with the Army which developed upon CIA assumption of control were local or technical and not major ones of policy.

82. With regard to the German organization itself, CRITCHFIELD attempted to reach agreement or understanding on as many aspects of the work as possible prior to 1 July. From mid-May through June, therefore, he held many discussions with GEHLEN, during which he emphasized (a) CIA's firm decision to provide \$125,000 only per month, thereby necessitating overall staff and operational reductions; (b) the necessity for creating a compact and controlled organization able to successfully weather the uncertain events of future months; and (c) the necessity for reexamining the terms of the now inadequate agreement with the Army and acceptance of the principle of American access to operational and financial data and control of all activities and contacts of GEHLEN and his staff with Western nations and intelligence services. The process of reducing all of the organization's strategic operations to project basic permitting detailed assessment of their merits, which had been at least started, was given priority at this time.

82. Approximately a year and a half, from 1 July 1949 until roughly January 1951, was required for the process of bringing the organization under some semblance of control. Problems dealt with by the American staff at POB, which were transitorily complicated, time consuming and at times controversial, notably included the following, which will be taken up hereafter under separate sections:

- a. Strategic (Satellite) Operations
- b. Soviet Zone (Tactical) Operations
- c. GE Operations
- d. Communications and Signal Intelligence

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- e. Psychological Warfare and Other Cold War Activities
- f. Special Connections
- g. Emergency Evacuation, Stay-Behind Operations and War Planning
- h. Liaison with West European Intelligence Services
- i. Relationship to West German Remilitarization Issue
- j. Relationship to West German Political Developments
- k. US tours by Leading Staff Members of the German Organization
- l. Others

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III.

A. Satellite (Strategic) Operations

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Satellite (Strategic) Operations

Project Program

1. One of the first and most far reaching measures taken after 1 July 1949 had as its aim the immediate reduction of all operations being conducted outside of Germany to project basis, with funds to be provided for each project as approved and on the basis of continuing review of operational details and production. Designed to ascertain for the POB staff the organization's abilities and assets in the strategic field and subsequently to make possible a "deeper and more strategic" deployment of such operations in support of CIA's long range intelligence responsibilities, the program included within its scope all active, partially developed or planned operations and was given top priority for both the German and American staffs from the time of take-over until its completion. On the assumption that complete details of operational activities would be made available to the American staff for analysis, as agreed by GEHLEN in June 1949, a project outline form representing a modification of that required for any standard CIA operation was drawn up, translated into German for completion through German initiative at field agency level and instructions issued for organization-wide compliance on a priority basis and as an absolute prerequisite for further American support of any given operation.
2. The launching of this program, which entailed German acceptance of unaccustomed American control measures as well as a tremendous burden of paper work, effectively churned up the operational segments of the organization, netted a vast amount of information and at the same time created its own problems which hindered realisation of aims. However, by the end of approximately one year, the purpose of the exercise was well toward accomplishment: POB had received for Washington decision at least token information on a total of 150 German operations and was in a position to take a stand on the future of the strategic work. Moreover, and perhaps as fundamentally, the process of bringing the project program to completion proved to be a process of crystallisation, of POB aims, attitudes and procedures, of fundamental German

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attitudes and policies on extent, basis and quality of cooperation with the American side, and of basic CIA attitudes and policies with regard to the work. All were qualified by the information and experience which was acquired and exchanged during this period and as a result of the project program.

3. As the program went into effect, the score sheet indicating the cumulative status of projects approved, rejected or in state of suspension was taken at times by POB and CIA Washington as an index to the probable success or failure of German efforts to conduct satellite operations. In the initial stages, however, any such tally was largely a reflection of the fact that German field attitudes toward the program ranged from lack of comprehension of the seriousness of the US intent to get at operational data to outright refusal to make such data available to German headquarters or for transmittal to the US side; and of the fact that overall opposition was strong from the outset at both headquarters and field level to the "typically American" project system which was alleged to place more emphasis on form than substance and to be unsuited to the "German mentality," to the time lag involved in obtaining Washington approval of individual projects, to the amount of manhours which had to be diverted from other activities to the write-up work, to violation of the basic German principle of delegating operational control to carefully selected agent leaders whose soundness of method and decision could be measured by quality and quantity of production, and to the relegation of the German staff to a role of dependence unbecoming to an "independent" intelligence service. It became clear from the fairly uniform omissions from the early forms of such vital information as true names, location and occupation of agent personnel, methods of travel and communication, documentation, cover and currency arrangements, etc., that initial working level German compliance with requirements agreed upon at a higher policy level was largely token and that no major efforts were being made by the German headquarters operations staff to enforce such compliance. Moreover, study of the forms indicated that costs were often high and inconsistent.

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that many answers had been designed to provoke interest, and that blind decisions would have to be made if no additional information was forthcoming. Such forms, being delinquent and fanciful, added little to achievement of aims and not unnaturally were disapproved in Washington, while the true status of satellite operations remained unknown.

4. Failure of results through German initiative consequently had to be offset by adjustments and procedural changes by POB. At the end of approximately five months, POB was still faced with the problem of establishing a working relationship with the German organization which would result in achievement of aims in the strategic program and of doing so, moreover, in the light of increased awareness of confusions in Washington thinking (as evidenced by directives) with regard to many aspects of the work. An early plan for completing the write-up phase prior to 1 November 1949 consequently was amended and higher headquarters reconsideration obtained for both the operational and financial bases of the work. With Washington approval, decision was made to designate the six months' period January-June 1950 as a test period, during which the German organization would be explicitly required to exert maximum efforts not only to continue to reduce operations to project basis but also to bring to fruition all projects previously approved or disapproved during this time, on the understanding that future CIA support of strategic activities would be determined on the basis of the organization's spirit of cooperation and performance during the trial period (as evidenced by submission of operational data, management, soundness and security of operations, costs, etc.). While such decision granted a certain amount of operational leeway, the onus of operational responsibility was placed squarely on the German headquarters staff, which was advised to assume a decisive role by undertaking sound operational planning within the framework of the project system and a newly provided financial basis (allocation of lump sums of money on an area basis for the support of the six months' work), by monitoring any unlikely or wishful projects originated by field units, and by shortstopping any projects lacking

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in operational details.

5. At the same time, POC also undertook maximum efforts, in two directions: to guide and assist the German organization, consistent with terms of the Basic Agreement, in the conduct of its satellite operations as approved by Washington, and to obtain and provide Washington with information and evaluation of the German effort in the interests of sound policy formulation. One of the problems posed was to obtain policy decisions from Washington officers whose basic attitude was somewhat inconsistent with successful exploitation of the possibilities offered by close association with a sizeable German intelligence unit. While understandable in a period of continuing assessment, the attitude that the Germans should be regarded as former enemies - now in American hire, probably acting in bad faith, not to be trusted, and to be limited to operation in areas not covered by CIA - contributed to a highly tentative handling of questions requiring Washington decision and increased POC's difficulties not only in dealing with the Germans but in carrying out responsibilities vis-a-vis the German staff. Washington action which at times arbitrarily or prohibited development of satellite projects in which the Germans were interested and establishment of targets which were subject to change on the basis of factors external to German operational assets and desires in turn resulted in less than the full degree of "cooperation" desired by Washington from the Germans. The latter, moreover, never lost sight of the contractual nature of the German/American relationship, nor an opportunity to resist American controls, where possible, so that assessment of the effort included assessment of what German capabilities to conduct satellite operations would be if the obligation to share details with the AIB was removed. Considerable advancement toward a middle ground of understanding or mutual adjustment was made month by month, however, if not toward full agreement.

6. On approximately 1 September 1950 an accounting was made for the accomplishments of the six months' trial effort. At this time, the statistical summary indicated that of a total of 150 projects which were submitted by the German organization for

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approval up to and including 30 June 1950, 49 were approved for activation during the critical January-June, the remainder being rejected largely for lack of data permitting assessment. Of the 49 projects whose success or failure was to determine the future of the strategic work, all but 10 positive projects and three partial GM efforts were eliminated between 1 January and 1 September 1950, for failure to show development in the direction indicated or to become productive within a reasonable time and on the basis of funds provided or to give some kind of positive indication of the existence of the claimed assets and potentialities.* In terms of these figures alone, it was clear that at the end of one year the organization was left with all but no discernible satellite operations to back up extravagant claims and to justify monthly expenditures prior to the project program of as much as \$95,000. However, statistics alone were not deemed to reflect the entire situation.

7. POB overall evaluation was that as a stock taking process the project program had been brought to near completion, had clarified beyond argument the status of satellite operations eligible to receive American support as well as the basis for such support, and had laid bare both the strengths and deficiencies of the German organizational structure, leadership and operational methods. Decision accordingly was made to bury the project program and to shift emphasis from investigation and guidance to reform and reorganization, with clear indication to the German staff that successful application of joint German/American planning offered the only basis for strategic operations in the immediate future, as well as the best grounds for a profitable long range relationship between German and American intelligence units. The problem had become that of ending or of recasting and modifying the entire existing satellite

* After 1 September 1950 the project concept was virtually abandoned, so that further project statistics are meaningless as a matter of interest in their continuity and ultimate fate, however, it is here noted that three of the original projects survived until the summer of 1951 and that two remained as of early 1953.

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effort in the light of conclusions, knowledge and experience gained during this period, and it was unanimous POB staff opinion that the potentiality of the German organization to conduct strategic operations remained for exploitation. Although defective, the German strategic collection apparatus was considered by all to be of considerable value and in addition to die-hard elements of opposition to include numerous persons both in the field and at headquarters who were vitally interested in the collection of strategic intelligence, who were in full agreement with certain operational principles which POB had advanced and had attempted to inculcate, and who would enthusiastically enter into a mutual effort to develop sound intelligence operations. Such assessment took into account, moreover, the fact that overall CIA success in running the same type of operation had not been conspicuous during the same period and that among the German organization's assets was the fact that it was German, operated out of Germany itself and had available to it for the support of its operations all parts of the "well rounded" service which had developed with American banking over the years. Accordingly, plans were made for continued support for strategic activities, but on a new basis.

Post Project Phase

6. The second phase of the strategic work got under way as early as July 1950, when GEHLEN was informed that the poor showing being made in the satellite field left POB with but two alternatives: either to accept the fact that the German organization was a low level military collection and evaluation agency and to recommend to higher headquarters that it be so considered and supported, or to give GEHLEN the opportunity to effect radical revisions in the organization's personnel, procedures and attitudes to clearly reflect acceptance of POB guidance in the interests of developing some "sophistication" in the field of strategic operations. The choice between the two alternatives being all but non-existent for GEHLEN, the first step was taken by the German staff soon after this time to bring about a shake-up and redirection of efforts. During the next twelve months a series of changes jointly effected resulted

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in extensive reorganization.

a. Reorganization of the German Operations Work

- 1) As originally constituted, the German field agencies covered tactical or strategic targets as opportunity offered and operated on the Abwehr principle of lateral extension in depth, with downward (or outward) delegation of authority consecutively (with occasional variations from the pattern) from central headquarters to General Agency (GV), to District Agency (WV), to Sub-Agency (Residentura) to Branch (Filiale); to agent or agent net. At headquarters level, supervisory functions were fulfilled by an operations or collections chief, whose staff in turn handled all operational questions without distinction as to target, area, field agency or type of product. Because of the results of the project program, the US staff insisted upon a clear distinction being made between tactical and strategic operations, however, with headquarters changes to reflect this distinction and enforcement of the principle as applicable to the work of the field agencies. Such division was odious to most of the German operations personnel but was inescapable and was insisted upon in the interests of bringing about more effective coordinated and productive efforts in the strategic field.
- 2) By August 1950 the distinction between tactical and strategic intelligence had been enforced to the extent that tactical work had become a sort of operational extension of the office of the operations chief, who retained personal charge of strategic activities. Thereafter, US pressures on the strategic element itself led to the establishment of case officers or area desk officers for more intensified and specialized handling of activities directed at the DDR, Poland, the USSR and the Balkans, with the result that for the first time a degree of coordination of the operations of one or more field units into a single target area could be achieved.

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that headquarters responsibilities for providing guidance to the field could be more clearly defined and, consequently, that one or more levels of intelligence command could be eliminated. Ultimately, the operations staff came to consist of a chief exercising responsibility for all operational activities, with full-fledged subordinate staffs for the two types of endeavor, operating in conjunction with a OE staff and providing close supervision and guidance to field units.

3) At the same time, parallel changes were effected in field structure and functions. Because of their failure to live up to project specifications, certain of the field agencies were taken out of strategic work entirely and restricted to tactical work. This meant that certain General Agencies engaged only in tactical collection efforts, while others conducted both tactical and strategic work, and at a later date still others worked solely on strategic targets. This action was then followed by the fundamental decision to take all General Agencies as such (with one exception) out of strategic work, to regroup promising elements of former sizeable General Agencies into smaller so-called executive agencies, and to subordinate the new units to headquarters case officer directions for the running of strategic operations only. This gave promise of increased control and was in effect an effort to substantially modify the German field communication and operational direction procedures by shortening the ties from agent to headquarters.

4) Following is a specific recapitulation of the sequence of field agency changes: as of 15 July 1949 (following reorganisation and cutbacks caused by the 1948/1949 financial crisis but prior to completion of the project program), there were in business agencies 99, 120, 4711 and 5 (sub-headquarters at various places in central Germany, operating against targets in Poland, the GDR, the Soviet Zone and the USSR); 11 (sub-headquarters in Austria, operating against targets in the Soviet Zone

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of Austria and the Balkans); and their respective sub-units. Following completion of the project work, agencies 120, 4711 and K, now redesignated General Agencies K, G and H, respectively, were restricted to tactical work as was a further agency, GV B, formed in mid-1951 from elements of GV G and other units. General Agency, formerly agency 22, kept its tactical assets and was left, somewhat reluctantly, in the strategic field by the US staff, largely because those projects which remained from the original project program were being run by GV G. Meanwhile, change over to executive agency basis brought into being the solely strategic units CSW (operating against targets in the GDR), PE (with targets in Poland), RB (with targets in the USSR), and UM (with targets in Hungary and the Balkans), and in addition entailed the dissolution of agency 11, which had been renamed GV A. The above status existed as of June 1951.

b. Reorganization of the American Operations Staff

1) Here reorganizations, which took place periodically as necessary, largely took the form of reassignment of POB case officers on an "opposite number" basis for the handling of daily headquarters liaison activities and periodic field contacts. American officers had direct access to members of the German operations staff, and vice versa, for discussions and guidance purposes and by agreement with the German Operations Chief, adopted the procedure of making periodic visits to the field bases, usually accompanied by corresponding German case officers. These were general informative visits for the purpose of discussion of problems and served the additional unstated purpose of providing further access and insight for POB into organisational extremities, and the opportunity of cementing or rectifying relations, if possible, or necessary, between field personnel and the American sponsor. However, that the American

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staff was somewhat overextended and had to be reduced and reorganized. The occasion demanded is demonstrated by the fact that not more than a dozen POB staff members were called upon to keep abreast of all changes in the German staff and operational methodology and nomenclature, to analyse and assess all segments, procedures and personalities for performance, to devise means of obtaining information from recalcitrant elements with as little pain as possible, to keep alert for even the smallest scraps of information of value in taping the personnel of the organization, to exert all possible influence in the interests of sounder operations and greater return on investment, to build and maintain working files and report fully to German Mission headquarters and Washington on all matters however small, etc. The size, complexity and past history of the organization made this no small task, so that the advantages of staff reorganization sometimes amounted to take-ups.

c. Reorganization of the Project Procedures

1) In November 1950 a directive was issued to the operations staff which redefined the basis for handling the strategic work and constituted an American effort to revitalise the strategic program. In essence, the directive specified that henceforth any "plans" phase of an operation would be so designated and would be budgeted on this basis until development of the work beyond the planning stage; that general exploratory activities would be considered to be "operations" for reporting and accounting purposes; that the projects remaining from the original program would continue in the "project" designation; and that the ultimate aim of all the strategic operational efforts would be to achieve project status in the AIS sense of the term in each instance. The work, in other words, was to progress from a proposal which could be handled informally and verbally, to the preparation and submission of a plan, the

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plan's acceptance as an operation if feasible and promising, and finally submission of the work for full status as a project. This method was devised as a means for financing activities until such time as they fully met (unchanged) operational specifications, while providing for the particular condition of the now apparent short range, low level character of German strategic intelligence work, as contrasted to the ideal AIS type long range operations termed projects. It eliminated some of the formal project reporting requirements so disliked by the German element and provided full opportunity for the Germans to operate under terms more palatable to them, once the structural and functional revisions and distinctions insisted upon by the US side were brought into effect.

9. Assessment of the achievements of the second phase of the strategic work, from July 1950 until roughly a year and a half later, is difficult inasmuch as structural and procedural changes constituted achievements in themselves, could only be accomplished gradually, and the intelligence by-products or end-products which they were designed to facilitate became evident at still later dates. In general, it would appear that the strong stand which was taken by CRITCHFIELD at the end of the project phase produced changes which were both obvious and desirable from an AIS point of view, in terms of return on funds invested as well as fulfillment of long range responsibilities; that certain of such changes, which were affected with varying degrees of reluctance and misgiving by the German side, came to be fully accepted and undoubtedly were to have lasting influence on the German intelligence work; and that certain other achievements undoubtedly were great but were of a highly intangible and incalculable nature. The overall assessment would appear to be, moreover, that this particular period was decisive in influencing the character of the organisation and its operations; it saw the establishment of at least a measure of American control over the activities of the German organisation and reorganisations consistent with German establishment of German controls.

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10. German accomplishments during the period sometimes appeared in a somewhat different light. POB assessment in December 1951 of the satellite operations notably listed on the positive side a penetration of the Soviet Armed forces in Austria and an observation project via letter contact with a group of German scientists working in the Soviet Union, both projects from the original program. Additionally, there existed only a number of plans and operations which had not yet reached project status, i.e., sources for whom no communications channels had been arranged, courier channels as yet unconnected with information sources, one-time border crossing operations, etc. At the end of 1951, consequently, the problem was still that of getting the German operations staff to coordinate and combine operational assets and/or bring to project status plans in various stages of development. Moreover, the division of strategic from tactical work did not necessarily generate better relations with those field units which were cut out of strategic collection, and at headquarters led to staff differentiations which increased personnel problems. Former General Staff Corps officers, who by and large had had no previous intelligence experience, became more sharply differentiated from former Altwur officers when the tactical/strategic distinction was made, inasmuch as the tactical staff tended to contain elements of the former and the strategic staff the latter. The extent to which the General Staff element dominated the entire organization, its structure and methods of handling operations also became increasingly clear to the US side, to the point where internal German differences appeared to create more congeniality between certain members of the non-General Staff element and AIS officers than with their own German co-workers. As this became clearer, the extent to which failures in the strategic field could be attributed to this situation also became a factor in the US evaluation process, and the American staff necessarily became more deeply involved in the selection of operational personnel.

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TO GERMANY ONLYTransitional Phase, November 1951 -

11. Until January or February 1951 no final decision had been reached concerning CIA's ultimate utilization of or relationship to the organization. At about this date, however, Washington, Karlsruhe and Pullach reached agreement that the relationship of the US staff to the German organization was that of a custodian, to continue until such time as the West German Government legally recognized this particular group (or, conversely, refused recognition) as the German Intelligence Service, and with responsibility for the organization's intelligence health until that time. The efforts of MOB were adjusted to this position, consequently, and to the idea of a transitional phase dependent in length upon political developments in Germany. The fall of 1951 marked the beginning, therefore, of a new trend in relationships between the German and American operations staffs, which found expression both in German staff shufflings in line with German intelligence concepts and the formalization of an understanding of guidance, assistance and controls to be exercised by the American side in re satellite or strategic operations. This was a trend clearly in the direction of increased German responsibility and extensive American withdrawal, but one which placed more emphasis on the former, since the American staff actually was increasingly involved in all aspects of the German activities.

12. Effective as of late November 1951, the distinction between tactical and strategic operations again was abolished, and the German headquarters operations staff was reorganized in such a way as to include a section concentrating on Soviet Zone operations, one on satellite operations and one for the USSR, all three under the centralized control of one operations chief. In effect, these sections now became area desks (a principle which by this time was fully accepted and endorsed) within a reestablished single collection group, operating against targets and in accordance with priorities established by CIA.

Priority A: the USSR and the Soviet Armed Forces in the satellite areas; within Priority A, against priority targets further delimited as follows: CSR, Poland and the Baltics co-equally, Hungary and Rumania, Albania and Bulgaria, Yugoslavia.

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Subsequently, three of the General Agencies which had been excluded from the strategic work (GV E, GV G and BV E) were readmitted in the spring of 1952, a further executive agency (RL) was created at about the same time, and in the late fall the remaining General Agency (GV H) also returned to satellite work. With one further change (absorption of RB by BV E in early 1953), this period saw the establishment of the following field unit status (operating against tactical or strategic targets without distinction in the areas indicated):

CSW (CSR)	GV C (CSR, USSR, Balkans)
PE (Poland)	GV B (Poland, USSR)
RB (USSR)	GV G (Poland, USSR, CSR)
RL (Baltics) (converted to Defection Program, Berlin and East Germany, Spring 1953)	GV H (Poland)
UM (Hungary, Balkans)	BV E (CSR)

13. Simultaneously, discussions started in January 1952 and brought to completion in June, formalized the German/American operational relationship. That is, agreement was reached on each point of a lengthy and detailed memorandum which constituted an SOP on all aspects of running satellite (strategic) operations. It formally relinquished certain operational demands and controls of the American side but fully specified American interests and prerogatives in any such matters (e.g., the substitution of general reporting requirements for detailed reports but on the clear understanding that the German headquarters staff would continue to demand detailed reporting by subordinate field units and would maintain all such data in headquarters files available for perusal by the US staff at any time, etc.).

Defection Program

14. For a period of six months or a year prior to the spring of 1952, considerable effort was put into an attempt to interest the German organization in establishing a Soviet personnel defection program - but without success. Until this time, the

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the Germans had a completely blank record of defections among Soviet personnel and lack of interest, evidenced at a high level, in defection work. Such apathy stemmed from the fact that any worthwhile effort would be expensive, would require the assignment of a large number of persons and the marshalling of extensive organizational assets, for operations which would not enhance the organization's political standing with Bonn. In addition, a defection program would commit the organization to close long range cooperation with the US. Accordingly, the Germans' record of defections among Soviet personnel was blank and, as a matter of fact, the record since initiation of a program is unchanged; however, in the spring of 1952, the organization finally was prevailed upon to attack the problem aggressively and energetically and to place emphasis on such a program.

15. The American staff at Pullach urged the creation of a special German headquarters staff pushing a special program throughout the German organization which would include the designation on every level of one or more individuals whose efforts would be devoted to creating defections. It was felt that the German staff, with its widespread coverage of the Soviet Zone of Germany, had a large potential for the production of defectors - an untapped potential because the field leaders on all levels chose to utilize all of their assets in the organization's so-called bread and butter product, Sovsone OB. Recognizing this attitude, the American staff accordingly urged the necessity of seeking specially oriented, trained and motivated individuals who would not steal from the OB coverage but would rather be unconcerned with it and literally would eat, sleep, drink and dream defection. The organization bought this program in principle but stated that it would take a long while to formulate, which has proven to be the case. It was not until the summer of 1953 that the OB staff could see the fruits of the plan, i.e., the establishment of a defection desk

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as part of the Operations staff at headquarters, and the assignment to it of a very well qualified, CE-experienced, Russian-speaking Abwehr leader, assisted by others of the same orientation. A field defection team coming directly under the influence of the headquarters defection desk was established for the Soviet Zone of Austria, in Vienna (under UV C), and another set up in Berlin (formerly executive agency RL). In addition, each General Agency or executive agency having USSR or Soviet Zone personnel contacts designated a specific referent for defection matters and sub-agencies are scheduled to do likewise wherever and whenever possible. The present plan includes special training on the headquarters level of top field representatives, a program of orientation and background information to be disseminated by the headquarters defection desk and specific guidance and instruction as and whenever any defection case arises.

16. German staff officers concerned with the work now believe (summer 1953) that only an all-out effort can show results and have submitted a plan for defection work during the period July 1953 - July 1955 or, alternatively, July 1953 - July 1956. Their proposal calls for an estimated 25,000 DM per month or either a total of 600,000 DM for the period July 1953 - July 1955 or 900,000 DM if planning is on the basis of 1956. FOB case officers are of the opinion that current planning will focus all appropriate organization assets in the defection field and will in fact assure close cooperation between German staff officers (about 60 persons constituting a closely knit and sympathetic group located at vantage points through the organization) and CIA.

17. On the US side, the program is closely integrated with CIA's established defection effort, for purposes of providing guidance, assistance and support to the German staff. This includes the passing of interrogation reports resulting from

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CIA operations, visits to CIA's Defector Reception Center and access by members of the German staff to some of CIA's defectors for purposes of gaining basic background material.

Returned Interrogation Program

18. Until approximately June 1952, the German operation (Project 117) through which contact was maintained with German scientists working in the Soviet Union included within its scope the interrogation of any such scientists who returned either to West or East Germany. In mid-1952, however, the interrogation program became more or less an independent effort, run directly by the headquarters operations staff, and as of that date was studied with a view to achieving coordination with the overall American program in the same field.

19. Although American (Army, Air Force, Navy, CIA) interests were being effectively coordinated through REG, which also cooperated closely with the [REDACTED], a serious gap in coordinating returnee exploitation existed because of uncontrolled German activities in the same field. When the problem was studied, it was realized that special problems were posed (including the high classification of the REG program and REG's lack of authorization to conduct joint operations or operational liaison with the Germans, the fact that the Germans could not be debarred from participation in an interrogation program, etc.) but in the end these were minimized in the interests of achieving at least a degree of cooperation. In August 1952, REG and POB and German officers were brought together for a discussion of the overall returnee interrogation program and problems entailed, and a measure of mutual understanding was reached. Thereafter, periodic discussions took place, there were exchanged information and lists of all known returnees, for comparison and consolidation, notification was given of the arrival of scientists in the West, and working

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arrangements made whereby fully exploited returnees were made available for re-interrogation by the other party. Such operational liaison was not formalized by written agreement but hopefully was regarded as a viable one, and in fact was immediately and mutually beneficial, in eliminating certain embarrassment arising from uncoordinated approaches to the same returnees, etc.

20. By early 1953, however, efforts on the American side were directed to persuading the German staff to use its wide Sovzone connections to induce high level returnees to come over to the West, rather than to concentrate mainly on an interrogation (or reinterrogation) program. The Germans agreed and certain organizational changes were made with this object in mind. Project 117, whose personnel and contacts were being utilized in the interrogation program, was placed directly under District Agency E (BV E), in which defection activities were concentrated. General Agencies B and H, in addition to their other duties, were directed to pull returnee exploitation possibilities from their general operations and to forward all leads to BV E, while provision also was made for the recruitment of a certain number of full time workers to be assigned to the defection program. Such changes were designed to make it possible for the Germans to commit more agents to the problem of returnee defection, and amounted to a form of operational assistance or collaboration with REG, since the latter would fully exploit any defectors. In this regard, it is noteworthy that the German organization was authorized by REG to offer standard REG inducements to prospective defectors, in the form of monthly stipends, bonuses, medical and other care, aid in resettlement, etc., and in certain special cases to offer monetary incentives greatly in excess of normal offers. This arrangement is both indicative of the degree of cooperation attained and of an effort to meet a form of psychological difficulty which was encountered in efforts to create enthusiasm for the program on the

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part of the German staff; because of the narrowness of the field, almost every name advanced by the Germans as a potential target has been rejected by RDO as belonging to a person with whom contact already has been established, despite extensive Sovzone connections of the Germans. At present (September 1953), although approximately 2,000 German scientists have returned to the Soviet Zone from the USSR, only about 100 have come over to the West.

Scientific and Technical Intelligence Collection Effort

21. In reviewing the liaison status of the various services who are in regular touch with the German organization (Army, Air Force, Navy), Chief POB came to the conclusion in early 1952 that a logical broadening of the liaison structure would be the inclusion of contact between the Office of Scientific Intelligence (OSI) and pertinent German staff members. As a result of a conference which he then held with [redacted], Chief of OSI Germany, such liaison was agreed upon, on the basis of weekly or monthly visits to the Nikolaus Compound by OSI experts. During the course of discussions on the occasion of such visits, OSI was to have the opportunity of encouraging the production of scientific and technical intelligence in line with OSI interests, by statement of OSI requirements and subsequently by evaluation of the product and the provision of other general guidance. This procedure had proved to be highly beneficial in the case of the other services, as no member of the POB staff was qualified to represent the highly technical interests of such units.

22. Establishment of liaison on this basis was followed by the assignment to POB of a liaison officer for OSI (April 1953), whose presence as a part of the staff in daily contact with German scientific personnel made possible the timely dispatch of information to OSI headquarters, as well as greater clarification to the Germans of OSI needs. The latter amounted to an attempt to orient the German collection effort toward determination of Soviet research and development programs, rather than

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the collection of fragmentary data which the German organization was prone to produce. Notably successful (OSI statement) in achievement of aims, OSI later pronounced the potential of the German organization for producing the type of information desired to be found nowhere else and proceeded to expand the base of its liaison.

23. Because of OSI's desire to exploit the German potential to the fullest, as well as because of the existence of highly specialized interests within OSI itself, POB was visited by a stream of visiting experts during 1953. In addition, the unshrouding liaison came to include visits by German personnel to Wiesbaden and to be supplemented by social gatherings both in Wiesbaden and in the Munich area by German and OSI representatives. As neither the meetings nor the social events were attended or monitored by POB staff members, an uncontrolled and multi-faceted liaison came into being which was considered by POB to offer the Germans too many windows into the American side and to result in security breaches on too frequent occasions. The decision accordingly was made to take steps to cut down on the number of persons conducting liaison with the German staff. The OSI liaison officer presumably (September 1953) will be designated as the sole representative to the German side of all OSI interests.

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Boat Operations in the Baltic Sea

24. The question of pulling off a successful boat operation in the Baltic area (Baltic States and Poland), i.e., "utilizing a small, fast ocean-going craft manned by experienced German crew members for the purpose of establishing agents and/T sets," has been a matter of discussion, consideration and active planning continuously from 1948 through 1953. It has been unsuccessful in accomplishment, for a number of reasons which will be touched on below, although it can be claimed that on a single test run during these five years one of two German crews which were recruited, vetted and trained for the project at least got a look at the Polish coast and that more than a little has been learned about boat and crew requirements and the degree and meticulousity of planning and coordination which is needed in both the boat and agent phases of an operation of this type. As of 1953, a Polish boat operation is still "on the books" insofar as the German organization is concerned, and presumably insofar as other CIA bases are concerned, although many of the major difficulties which have beset all elements thus far have not been met and time continues to add further obstacles in the form of increased Soviet/Satellite security measures along all points of the coastal landing areas.

25. Because of the nature and diversity of problems which were encountered at all points, as well as because of the absence of operational accomplishments, no historical approach is possible in a discussion of the five year period of "boat operations." A rough chronological outline of events and decisions could be drafted from POB records but even this, it is believed, would be largely incomplete and possibly inaccurate, as many matters were handled on a personal basis by a number of persons over a period of years and were never made a matter of record; certain other questions and decisions were never transmitted to POB, as part of the overall failure of coordination between the many persons, bases and governmental services involved; and there would appear to

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have been a certain amount of glossing over of problems, actualities and differences of opinion at times, so that no records available anywhere reflected all sides or even the true circumstances of a given situation at any one time. Only a complete reading of files maintained at POB and other bases will give a picture of the uncertainties, disappointments and frustrations, as well as of the efforts, hopes and minor achievements which also were a part of the picture. However, indication of a few of the circumstances surrounding the operational boat scene may be pertinent to any overall survey of the activities of the GHILM organization.

26. In brief, the boat operations may be summarized as follows:

- a. A plan for agent landings by sea was drafted as early as the spring of 1948 by the GHILM organization; however, execution had to be with American or other cooperation in view of the necessity for acquiring a boat and of solving certain cover and support problems. Through lack of American action (both Army and Navy), a German captain and crew which had been recruited went by default to the [redacted], though contact was maintained with the captain, who in fact never left the German payroll.
- b. Simultaneously with loss of the boat crew to the [redacted], CIA became seriously interested in a landing project and undertook to do some basic preliminary planning, which was deemed to consist of two phases, as follows: 1) acquisition of a boat, naval support, a crew and all necessary equipment; and 2) agent recruitment and training and the completion of all operational planning. Of these, 2) was considered to be dependent upon 1) insofar as timing was concerned, so that the acquisition of a boat, its outfitting and manning was given priority. Moreover, since all questions pertaining to the boat itself were matters for AID handling, inasmuch as the enlistment of US naval aid and support was integral to the entire

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project, the further decision followed that the boat, once organized, would be in support of AIS-mounted operations originated from whatever point in the CIA German Mission and participated in by the German organization to an undetermined extent.

c. Subsequently, those CIA units which became interested in and thus actively involved in this phase alone came to include bases in Pullach, Munich, Bremen and Bonn, as well as numerous desks and sections in Washington and COIN Frankfurt. Their discussions and negotiations relative to acquiring a boat, its crew and equipment, placed under adequate cover, involved US Naval representatives in Frankfurt, Bremerhaven and Washington; OEHLEN headquarters personnel at Pullach, as well as a German case officer and crew at Bremerhaven, most probably elements of the German Bundesgrenzschutz (BGS); and finally, at times, elements of the [REDACTED] services and navies, or agents of those services.

d. The general result, according to one mild statement, was an "unclear delineation of authority and responsibility" causing little or no coordination and inadequacies in the logistical support structure both as regards the US Navy in Germany and CIA Washington. Changing personnel assigned to handle boat questions at the various bases, inexperience in naval matters and operations, failure to understand the need for speed at times in dealing with problems, lack of comprehension of problems faced at other bases, etc., as well as differences of opinion as to the quality, use and capabilities of boats and crews bogged things down continuously throughout the entire five year period. An S-boat, originally requested on a priority basis as the type most suitable for successful operational

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use, is only now (fall 1953) being shipped to Germany from the States, considerable sums of money have been expended on the maintenance and repair of American boats required for the exercise, while at least one S-boat has languished in the US for lack of spare parts available only in Germany; a search receiver, deemed by all concerned to be imperative to the success of the operation, has been a supply requirement for more than one year, at least partially held up on the basis of possible political implications of making such technical equipment available to non-Americans despite its availability on the open market, etc.

25. On the credit side of the boat phase, it would appear that efforts have netted one boat (serviceable but not ideal) (and not yet equipped with minimum operational equipment); two crews, one of which was recruited by the German organization in preparation for German-run operations; the establishment of Naval cover for both boat and crews which is an adequate as possible under given conditions; the successful completion of one test run to the Polish coast (December 1952); and the continuing performance of operational planning exercises (German/FOB dry run: infiltrations in West German waters) productive of operational information and experience.

26. With regard to the agent phase of the projected operations, the assumption was made that the boat phase ultimately would be successfully concluded and agent recruitment was in progress in 1952-1953. The most specific and detailed operational planning which was completed, came to naught, however, with stalemating over the question of subjecting the chief agent candidate to the lie detector test.

27. There the matter of boat operations in the Baltic Sea rests, except for brief notation that the five year period of discussions on the subject has at times placed CIA in an embarrassing position via-a-vis the US Navy and somewhat second best

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vis-a-vis the [redacted], and has placed PCB in the position of having to defend the US Navy and the American intelligence service to the German organization. The latter, although failing on many scores itself, saw its original proposition and operations go to the [redacted] by default, has been in a position through penetration to assess the successfullness of such [redacted]-run landings, and similarly has been a witness to the many delays and difficulties which have prevented the successful accomplishment of any American or joint German/American landing operations. The general tenor of German feeling may well be to look for other means of landing agents, particularly those permitting greater operational freedom, less "coordination" with the US sides, and those having no political implications (the placing of the latest technical equipment on vessels manned by indigenous crews), evidence for which is found in recent interest in utilizing a West German fishcutter. Moreover, there would appear to be small chance of any joint American/German cooperation in re boat operations at a future period of German intelligence independence, as a result of a rather pronounced German feeling that the delays and disappointments experienced in five years of attempting to mount a single operation may have been a deliberate delaying action on the part of the AIS, both in Washington and in Germany. The feeling that nothing will ever happen persists, despite the obvious five-year loss of time by the AIS, which might have been profitably applied to the running of boat operations.

28. Note, September 1953: With the arrival in late September 1953 of the long-awaited S-boat and required special equipment (search receiver), it was felt that a new attempt should be made to clarify a situation notable for confused status. At this time, it was decided at COM Frankfurt that since cover and final responsibility for boat operations rest with the US Navy and the AIS, An American solution to all problems and American command channels are obvious. Accordingly, it was decided that until such time as the German organization is legally in a position to provide cover

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accept full responsibility, etc., its activities should be completely brought under a reorganized CIA/Naval support structure. As of late September, the organization has been sent a proposal according to which its boat crew will be placed on the same footing with the second crew, both to be maintained under the administrative and operational control of the designated American officer, for commitment on actual or training operations as decided by AIS, etc.

S-Boat Captain

29. Recruited by the [REDACTED] in 1948 with the full knowledge of ZIPPER, then his employer, the German S-boat captain has completed numerous infiltration and exfiltration operations for the [REDACTED] in the last five years, plus a nine-month survey of the Baltic coast, covering the location and frequencies of radar devices, search-lights and patrols and using the latest [REDACTED] communications equipment. However, he has remained on the ZIPPER payroll continuously, has since his [REDACTED] recruitment completed advanced operational training courses organized by ZIPPER, has aided ZIPPER in its recruitment of a second boat crew, since March 1950, has been fairly regular contact with POB case officers, has reported in considerable detail on his completed landing operations and has made available his ship logs and the results of his coastal survey, including maps showing locations of coastal radar devices, search-lights and patrols. He has steadily refused [REDACTED] offers of long term contracts and citizenship, and has consistently maintained his own desire to be to establish himself in German naval or intelligence circles, possibly even as head of a future German ONI. Following his identification and personnel assessment by POB, he has served as the point of reference for the AIS as well as ZIPPER for all questions bearing on the feasibility of any aspect of the boat phase of a landing operation;

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thus, given his knowledgeability and experience, as well as the opportunity afforded through him to monitor [REDACTED] landing operations in the Baltic, his position and usefulness would be hard to exaggerate.

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II.

B. Soviet Zone (Tactical) Operations

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Soviet Zone (Tactical) Operations

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1. For one year, as a matter of policy, the POC staff took no official interest in the details of the German organization's Soviet Zone collection apparatus and activities. The North Korean attack on 25 June 1950 opened a new phase in East-West relations, however, in which regional tactical groups of Soviet forces assumed new importance as intelligence targets and so placed in the A-1 priority category those military collection activities which the German organization was best equipped to fulfill. Decision by POC to strengthen, expand, and intensify the existing Sovzone OB work consequently was mandatory and a joint program, labeled Operation JUPITER, was drafted in cooperation with the German operations staff for immediate implementation.

2. Somewhat paradoxically, the situation which existed at this time included the following factors:

- a. The Sovzone OB collection arm of the German organization was its most important single asset as well as its most complex segment; details of the functioning of this same arm, however, were as unknown to the German headquarters staff as to the POC staff;
- b. The German organization was acknowledged by ID, SUCOM, to be the latter's "mainstay" in the OB field "but because of the Germans", the Intelligence Division to date had been reluctant to furnish target guidance, i.e., to make possible the coordination of their collection efforts with activities of other American collection agencies by eliminating those OB targets in the Sovzone which were or could be adequately covered by other units; and
- c. American security responsibilities in Europe, as well as mutually undertaken German responsibilities, appeared to depend in large part upon the early receipt of intelligence reports produced by this German organization on Soviet intentions and activities in the Soviet zone of Germany; in fact, the transmission

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of intelligence from agent to final consumer in Germany sometimes required as much as two months so that the Sovzone operations did not perform an early warning function in any real sense.

Accordingly, solution to problems brought into focus by the Korean crisis fundamentally started with determination from ID, EUCOM, of the location and relative importance of OB targets in the Sovzone; the acquisition of detailed information on the location of existing German agents in that area, through POB agitation for German headquarters action on field units; the provision of immediate support and facilities for field coverage of additional targets by additional agents; and decisive action to speed up the time of transmission of reports at the various stages within the German mill.

3. As defined by POB and understood by both staffs, Operation JUPITER was specifically "a program designed to raise the level of quality and timeliness of reports covering Sovzone OB targets and recognized indicators of imminent hostilities," with the goal of providing tactical intelligence which would enable the American military intelligence agencies to fulfill their military missions in the European Command. As a build-up program, it was to be completed by approximately 1 November; as an intensification effort, particularly in areas East of Berlin and the Oder-Neisse line, it was to place major emphasis on the development of high level penetration sources, who would be backed up by the existing mass collection work; as a device for strengthening current OB operations, it was to ensure that the entire agent apparatus was as properly staffed, placed, maintained and serviced with communications and courier facilities as possible. Its character as a joint German/American effort was both basic and explicit, since POB guarantee of the German product was deemed to dictate a detailed POB KNOWLEDGE henceforth of the product and how it was obtained, while a similar although differing degree of cooperation between ID, EUCOM, and the two-fold effort in Pulach also was a prerequisite.

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4. Working procedures were established on the basis of a clear understanding that the American staff at Pullach not only possessed both the money and full authorization to take action without prior reference to Washington, but would not hesitate to use such authority once the soundness of German-initiated build-up action was established. While presently-employed agents remained in place and reported as previously, all new work undertaken under the JUPITER project required prior American approval, promptly given upon submission of a plan containing at least minimal information on target to be covered, status of a potential agent giving him access to the target, means of communication or courier arrangement, and costs. On a single memorandum-of-understanding basis, expenditures were authorized by the designated POC case officer to the extent of 7500 DM per month for the immediate improvement of the courier system to and from the Soviet Zone; the one-time expenditure of 30,000 DM and a subsequent 60,000 DM monthly for the duration of the period of crisis for the intensification of agent coverage; and a longer range program, also designed to raise the level of agent coverage in the Sovzone, without reference to a specific monthly budgetary figure.

5. In implementation, the Sovzone program assumed three phases, known respectively as JUPITER I, JUPITER II and JUPITER III.

a. JUPITER I included those build-up processes and measures which were implemented from early July 1950 until the end of June 1951, on the basis of decisions and definitions given in the preceding paragraphs. During this period, field offices were fully apprised of the program and were supplied with a complete list of the precise targets in the Sovzone (obtained from IB, EUCOM) on which concentration was desired. After a slow start, the work got under way and by the end of a year, reached the point where POC could report with assurance that aims of the program were being met - that the number of agents covering designated targets in the Soviet Zone had been nearly doubled since inception of the work; that the radio

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and other communications systems of the German organization had been streamlined and processes established whereby POB was routinely receiving from the German organization and cabling to ID, EUCOM, and Washington daily information indicating significant changes in the Sovzone OB picture, as well as forwarding hundreds of regular reports on the situation; that Sovzone agent data, in a complete reversal of the relationship between the German operations staff and its field units, was routinely being forwarded to German headquarters under terms of the fully accepted "proposal" system (i.e., no action without prior American approval of German-proposed build-up measures); that the German staff was in possession of and POB had full access to, full and detailed information on the status of the Sovzone collection work, and that the specialised files, elaborate processing procedures and qualified personnel at headquarters validated the agent work to the greatest possible extent. Moreover, the long range value to the German organization of action taken during this period to shape up its basic activity were inestimable, relations between the staffs were vastly improved as a result of the high degree of cooperation and enthusiasm shown by the German staff and the reciprocal swift American support given to German plans, and, finally, the American staff for the first time obtained a clear picture of the manner in which the general agencies conducted business, as well as of the effectiveness of their military collection effort and the abilities of staff personnel to deal with tactical intelligence activities.

b. At the end of June 1951, when budgetary questions were under discussion, JUPITER I was declared to be completed. For the next fiscal year, a "refined version" (JUPITER II) was continued, however, inasmuch as further improvement in the collection apparatus and particularly its early warning aspects was both anticipated and desired, and the JUPITER procedures were deemed to be a continuing source of leverage for POB on the German staff and for the German oper-

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ations staff in turn on field offices. In accordance with German headquarters desires, the proposal system was continued until approximately February 1952, when a further milestone was declared to have been reached and POB bowed out of its position of passing on every detail of the Sovzone work. Thereafter, it was conceded that the German organization had assumed full directing authority, by extending and increasing its knowledge of and ability to control the OB work of sub-units, and could be counted on to continue established procedures, moreover with field concurrence. Requirements were modified to include German submission to POB of a detailed monthly report only on developments in the Soviet Zone and on progress toward establishment of an effective early warning system. During this period, JUPITER II, the program included a monthly revolving fund of 66,500 DM only and its aims were limited to improvement in quality of coverage rather than further expansion. Coverage, for accounting purposes, accordingly could be said to consist of those agents remaining from the original Sovzone net (i.e., non-JUPITER) and in addition those agents and channels established during either of the first two phases of the JUPITER program.

c. JUPITER III, for purposes of convenience and budgeting, constituted that phase of the Sovzone work which started with the fiscal year 1952/1953. Budgetary provision was made for activities which would continue to advance the OB work qualitatively and in addition would bring to an end the existence of anonymous agents outside the JUPITER program. Ultimately, the entire Sovzone collection facilities were to be brought under the same control and the last of the original nets either weeded out or given the same endorsement as those enrolled under the JUPITER phases. To this end and to this extent, the JUPITER concept continued, although use of the term was more or less discontinued as the handling of Sovzone tactical operations assumed normal proportions rather

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than that of a special effort.

6. The JUPITER program was notably successful in the accomplishment of aims. As the most conspicuously or productively valuable segment of the German organization, the Bayreuth OB collection apparatus also proved to be an area wherein operational cooperation became more or less routine. Having made clear American intentions and the basis for providing build-up funds, the POC staff received fairly whole-hearted support from both field and headquarters personnel, effected major improvements in an already enviable collection net and acquired general and detailed knowledge of the entire effort. For a more complete and detailed description of the JUPITER procedures and techniques and the Bayreuth apparatus itself, the JUPITER Status Report prepared in April 1952 is annexed. (No. 26).

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II.

C. CE Operations

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CE Operations

Origin and Basis (Army Phase)

1. Originally and basically, for reasons which stemmed largely from O-2, USFET's exclusive interest in the German OB collection potential, the CE assignment of the German organization was limited to activities in protection of its positive collection operations. German/American agreement on this point, however, represented a form of compromise under terms of which the German leadership bowed to the letter of the directive while the Army appears to have given tacit sanction to the performance of a certain amount of "unauthorized" CE activity. According to German concepts, the positive, basically military tasks outlined by Army sponsors for German fulfillment were less pertinent to a joint intelligence effort against the Soviet block than was the determination of the activity of the USSR in the US zone of Germany through CE operations. GEHLEN considered that the most important assignment to be fulfilled by the German staff was clarification of the main Soviet agent support points and the gathering of information on Soviet political activity, in conjunction with his belief that the USSR would use political rather than military means only to obtain desired results in Europe. He recognised the necessity for interim compliance with American military requirements for Soviet OB data, however, and also agreed to the limits imposed on CE work. Army records indicating unofficial views on the latter question are not available but may be inferred from BAUN's correspondence with GEHLEN at the time in which he reported, as a realistic estimate based on his experiences in dealing with USFET officers, that activity falling outside the limits of authorized OB work was not necessarily ruled out by the directive.
2. O-2, USFET approval for the initiation of CI/CE work within the above context was given simultaneously with approval for the beginning of positive work in March 1946. Such approval set in motion the machinery which pressured the OB apparatus into existence as the chief activity of the German staff of interest to the US

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Army, resulted in deviation of the efforts of the positive collection unit from OB operations and the gathering of certain related economic and transportation intelligence, and left the OB work in both scope and conduct largely to German desires and discretion. A fair statement would appear to be that OB activity which was undertaken after this time, under Army auspices and in accord with O-2 authorization, did not result in effective measures or operations to protect the organization as a whole from operational notoriety or compromise, while developments in the peripheral, unofficial sphere, in fact if not design, consisted largely of development of targets of opportunity within Western Germany, to the exclusion of operations which might have been considered long range or on a planned penetration basis in conformity with GENLEV's thesis of OB determination of Soviet intentions. A CI organization (Organization 114, later redesignated OV L) mushroomed, to a point where it employed a total of 400 persons at various sub-levels throughout the entire organization in July 1949, and included among its functions the performance of such non-OB work (considered to be essential to the conduct of OB operations and the overall mission of the organization but neglected by the positive staff) as East and West German political reporting (including that gained from penetration of positive targets) and illegal East-West trade activity.

3. Subsequent developments which brought a change in organizational sponsorship validated German interest in OB activity outside the scope of Army-authorized OB work, as the logical activity of an intelligence unit which presumably was to become the GIS and without the necessity for issuance of a specific directive of authorization, and left the continued performance by the OB staff of "irregular" functions more or less for further historical determination. However, the exact status, extent and level of development of the German CI/OB work remained relatively unknown to any American intelligence personnel until delved into by SSU/CIG investigators in March 1947 and December 1948 (BOSSARD and CRITCHFIELD Reports, respectively, appended). As of mid-1949 pruning, overhaul and effective guidance of the OB work, as of all segments of the organization, appeared to be in order but remained for accomplishment after completion of the basic task of overall evaluation and assessment.

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Basis for POB Staff Work

4. Descriptive information on hand in July 1949 largely represented unevaluated information submitted by the German staff itself or information of a highly derogatory nature gathered by American agencies having no connection or responsibility for the project. Consequently, the basic task of determination and assessment of the component parts of the German work was identified upon take-over as both a priority and CE job, to be approached with due care and to exclude no segment, aspect or persons connected with the organization in any way. It was a job of considerable magnitude, particularly in relation to the personnel limits of the POB staff, and one requiring the cooperation of all staff members and the placing in proper perspective of staff custodial responsibilities for, and CE responsibilities resultant from a unique position vis-a-vis, the German organization.

a. In this connection, much confusion existed for approximately one year, during which Washington required that priority attention be devoted by the CE staff at Fulda (consisting of two case officers only) not only to the investigation of the German CI organization and its performance and capabilities but to such minutiae as the complete details of individual double agent cases. The framework of these requirements, in addition to concern for the unknown and "potentially dangerous" (to AIS) situation presented by Organisation 114 (headquarters of which was located in Karlsruhe, also headquarters for the CIA German Mission at that time) and for the security aspects of intelligence operations for which the AIS had now assumed responsibility, included active interest in the possibilities for exploitation of CE leads offered to CIA as by-products of the German organization's size and geographic coverage. It remained for POB to keep the policy car on the tracks, i.e., to include the investigation of German CE work, in such detail as time and personnel permitted, as just one more aspect of the overall situation requiring attention and scrutiny and to take as the task of the

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CE staff, within the larger frame of reference, the guidance and reorientation of German CE activity toward planned operations having tightened security and control.

5. The small island of American AIS officers located physically within the German intelligence headquarters thus faced in two ways: being committed to support and advance the German work; it attempted to provide guidance and/or positive action to improve German CE operations and the security of all German activities, procedures and installations; as an AIS unit, its tasks also included a) maintenance of the inviolability of POB offices, files, working areas and procedures at Pullach and, by extension, protection of American IS operations, personnel and offices located elsewhere from exposure to or knowledge of the German staff and b) planned effort on a routine and special project basis to tape the German organization to the greatest possible extent. Although all work was hindered initially by lack of basic working data, the latter aspect at least (a) and b) above) was aided by the possibilities open to the American staff as a result of its unique and controlling position, by certain practices which had been permitted to develop during the years of Army sponsorship, by the all apparent lack of coordination between various sections of the German organization, by dependence of the Germans on certain US facilities and aid, etc., as well as by fortuitous circumstance.

POB Staff Security

6. It will be superfluous to detail measures taken to protect American areas and work from German and other non-American eyes, except to note that the POB installation was so established as to include offices in which joint work was carried on, neutral areas to which German staff members were admitted for conference purposes and exclusively American areas containing files, working space, communications equipment (not accessible to non-comes personnel), etc. Twenty-four hour military guard duty and after-hours inspection of the entire installation were instituted, the incineration of American classified waste provided for, and an awareness fostered and cultivated in all

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personnel of the all apparent fact that the American staff also constituted an intelligence target for the German staff. Attention to the protection of other CIA bases included the routine forwarding of information indicative of operational line crossing or known German procedures and activities of possible compromise or threat to AIS, constant alertness for evidence of German interest in or knowledge of American intelligence matters, etc.

Measures Against the German Organization

7. Planned and concerted action of a OB nature against the German organization assumed endlessly varied proportions. Exploitation on a regular basis of German dependence on US facilities for operational support perhaps netted the greatest amount of operational OB, since travel facilitation and documentation, support by emergency or other aid through executive action performed by American military units, provision of documentation either required by American occupation authorities or of operational advantage (real or fictitious) to the Germans in the conduct of intelligence work, planning for emergency evacuation of the organization in the event of hostilities, etc., usually required the submission of a certain amount of information on a quid pro quo basis. An Operational Support Section of the POB staff devoted a considerable amount of time to the exploitation of this situation and became adept at making educated guesses regarding still unknown segments of the work and at devising still further ways and means of extracting desired information. The entire POB staff conducted its routine activities on the same basis, however, and the taping work carried over from daily contacts to social activities, both on an official and informal individual basis. The careful recording of all possible fragments of information was aimed at, and without doubt contributed greatly to, the increase of overall POB knowledge of the organization, its personnel and means of dealing with it in the most expeditious way. It also facilitated efforts to compile data for a OIB Notebook, initiated in the fall of 1952 on a systematic basis, with the aim of completing personal history forms of all members of the headquarters staff of the German

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organization, its field agencies and persons falling within the category of

Special Connections.

8. In all fairness, it perhaps should be stated that at times the US staff CE effort against the German staff was characterized by a certain over-zealousness and lack of experience and maturity on the part of staff personnel. It is certain that the Germans knew that the POB staff was attempting to do a major CE and taping job and that such effort was strongly resented at times. For the most part, the Germans realistically dismissed this as part of the price which they were forced to pay as long as the Americans were in residence in Pullach. Amusingly enough, however, in a paper purporting to outline the future AIS/GI relationship, drafted in the spring of 1953, GEHLEN included the proviso that the POB staff return to the German organization its card files compiled on the basis of US handling of documentation and other support matters.

Polygraph Program (Cryptonym: [REDACTED])

9. In the category of fortuitous circumstance which netted considerable valuable information and experience may be included a project involving training for selected members of the German staff in the techniques and use of polygraph machines for operational interrogation work. The cycle of events was set in motion during 1950 when GEHLEN not only repeatedly expressed interest in the use of the polygraph in the organization's interrogation work, but pressed for acquisition of the requisite equipment and American training for one or more German staff members; he was curious and interested in possible use of the machines on a wide basis. Completion of the cycle occurred in March 1953, when preliminary psychological assessment and polygraph testing (supplemented by medical examinations and the completion of forms required for CIA security clearances for the project) of a handful of trainee candidates was completed by an experienced CIA operator who was detailed by Washington for this purpose; the shock experienced by certain of these persons as a result of actual machine testing was sufficiently strong to cause GEHLEN to bring the project to an indefinite halt,

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for purposes of reconsideration. The "German psychological opposition" to the procedure, as a reflection on personal honor and honesty, became an issue as did certain more basic questions once the full implications of use of the machine and of testing of organization personnel by an AIS operator were seriously considered and comprehended for the first time. The organization more or less retreated to regroup, in the interests of the morale of its personnel, albeit with German expressions of high regard and respect for the CIA operator who had been on the scene and in hopeful anticipation that at some indefinite future date it might be possible to resume training, perhaps on a different basis.

10. The POB staff initially gave its support to the polygraph proposal, with Washington approval and concurrence, because of the opportunity offered to exert influence on GIB developments in this field, to observe closely over an extended period presumably carefully selected persons of undoubted future intelligence interest to the AIS and to obviate German acquisition of the desired training from outside or non-American sources in the event that CIA rejected overtures in the matter. During negotiations prior to termination of the project, completed personal history forms were obtained on eleven candidates, from whom six were to have been chosen on the basis of suitability and desirability, and preliminary polygraph testing completed on seven of the eleven. This in itself was a valuable experience in terms of product obtained, as was the insight gained into the organization's feelings and attitudes toward use of the technique once the latter was removed from being merely a theoretical proposition. On the other hand, the abandonment of the project in no way precluded continued use of polygraph interrogation of organization agents involved in security cases, and the obvious advantage resultant from having CIA operators conducting any such tests. The basic soundness of the program was never contested, although future developments on a joint basis, if any, have had to be left to German initiative.

German CE Operations and Activities

11. According to an analysis made in December 1952, representing a summarization of

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knowledge acquired over the past three and a half years, the CI/CE work of the German organisation as of that date consisted of two areas of interest: a) foreign counter-espionage work and b) activity undertaken in the absence of an effective West German agency performing internal CE and investigative work (i.e., the organisation investigated its own prospective agents, conducted operational investigations and surveillances, covered West German communist activities, and carried on internal West German counter-espionage activity.) In connection with these interests, the headquarters CE staff maintained a comprehensive address file of some 60,000 cards, of which 10,000 were believed to be on persons and installations of CI/CE interest and behind the Iron Curtain; supervised the organisation's central personality files; processed reports on CI/CE matters, political questions and East-West trade received at the rate of approximately 50 per working day; carried the responsibility for all work pertaining to security or "flap" incidents involving organizational personnel or agents; maintained a certain amount of responsibility for the CI training of agent and staff personnel; and attempted to provide its field organs with operational guidance. Although suffering from a noticeable lack of qualified high level CE case officers and a fairly adverse budgetary status, the German CE staff attempted to spread its efforts, rather thinly, to meet its obligations; in so doing, it carried over its somewhat hit-or-miss approach to CE work and was subject to POC censure on these grounds. It also increased in size to unusual proportions, to a large degree because of its usurpations or extensions into the field of East-West trade, political intelligence collections and security functions - to a point where it was remarked by a visiting [redacted] officer to be larger than the [redacted] world CE staff" (sic).

12. American responsibilities, vis-a-vis German work and responsibilities, took as their object the strengthening of the German CE service by a) increasing the number of full time specialists, b) the careful selection and training of CE agents for Eastern operations, c) closer cooperation and coordination of CE work with positive intelligence operations, and d) thorough training for members of the German staff and agent

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personnel. In this, support was given to German desires for an adequate budget to handle heavy responsibilities, without however granting the blank check basis desired by the German CE staff itself and with specific discouragement of large scale excursions into the West German CI field or the establishment of permanent facilities in this field entailing future commitments. Emphasis was placed on the increase of security through use of polygraph testing, psychological testing, reduced reliance on mere trust relationships between case officers and agents, increased regard for the physical security of field installations, etc.

19. With regard to both German performance and American influence and policy within the two delineated fields of German interest, the following brief summarizations would appear to be pertinent:

Double Agent Operations

a. The German organization, upon investigation, was found to be productive of an "impressive" number of DA case leads but obviously poorly equipped to deal with them, either to develop them into cases of equal qualitative stature or in the matter of CI reporting. The procedure under Army auspices (but apparently having little or nothing to do with the fact of Army sponsorship) was for the German CE apparatus to interest itself, as desired, in any CE question, largely on a "windfall" or opportunity basis, and thereafter to prepare "CI reports" containing both operational and informational aspects of such interests. The latter contained many CE/DA leads and were submitted to CIC for follow-up. This procedure was still in effect as of 1949, although by this time the reports were being prepared as "political" reports: as a result of CIC complaints that it was spending considerable time in investigating allegations which were contained in the reports but which usually were found to have little or no basis in fact, Q-2 had issued instructions ending further submission of CI reports as such.

b. The priority emphasis placed by CIA as a whole on the development of successful DA cases dictated similar emphasis by POB. Accordingly, following July 1949,

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major attention was given to the question of the GE reports indicative of German GE activity and DA opportunities, and to the active encouragement of such work, but on the basis of selectivity of effort, development of operations on a planned basis, improvement of case handling and reporting procedures. Being but part of the general overall effort, POB accomplishments must be measured by the extent of change in approach to the large problem of operational development, exploitation and case handling, effected only gradually and in the realm of increased potentialities; with regard to German accomplishments, both the number of quality of DA cases did improve during the period of CIA sponsorship and reports emanating from fabrication mills (previously numerous) and emigre gossip circles largely were eliminated, although no other really outstanding progress can be claimed.

Coverage of Soviet and Satellite Services

c. In this field, there would appear to be small point in attempting any statement of historical development as none can be claimed. Coverage of emigre affairs and activities, which is now regarded by the organization as "satisfactory" stems from interrogation or debriefing reports; no operations aimed at the exterior observation of known targets installations are in effect or known to be planned for the foreseeable future, and no notable penetration operations are running. There has been evidenced no great receptivity to the idea of planned operations on a long range basis within this particular sphere.

West German GE Coverage

d. Upon investigation in 1949, the German organization's CI arms were found to be deeply involved in counter-subversive activities which were considered by CIC to be the province of and better covered by, CIC, thereby contributing greatly to the general state of friction enjoyed by the Germans with CIC offices throughout Germany. German communist activities were of intrinsic interest to a German intelligence organization, however, and from the outset it has been GEHLEN's

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firm intention to dominate both the foreign and West German CE fields.

e. As early as 1949/1950 GEHLEN and his staff took the realistic view that ultimately internal West German security and counter-subversion would be made the responsibility of a West German security service and that working relations with such a service presumably would then be worked out. Establishment of the Federal and state security agencies in 1950 came as no blow to the organization, therefore, although a number of reasons can be given for the failure of the immediate development of working relations, notably including a failure on the part of the Bundesamt fuer Verfassungsschutz to yield on the key point desired by GEHLEN, of a share in the West German CE work.

1) At a meeting between GEHLEN and Otto JOHN, BfV head, held in 1951 at the behest of Chancellor ADENAUER, the question of cooperation between their respective services was discussed. At this time, according to GEHLEN, a protocol was drafted which gave the German organization a CE mission and assurances that the BfV would pass CE leads to it. The protocol then went to the Minister of the Interior, who tabled it in view of the lack of legal status of the GEHLEN organization. The BfV has now been legal for three years, while GEHLEN still has not been regularized with the government, a fact which has resulted in a growing CE business being conducted by the BfV with the Allies and other Western services.

2) Otto JOHN has never been acceptable to GEHLEN because of the [redacted] label which attaches to JOHN and because of GEHLEN's continuing bias against the [redacted]. Also GEHLEN assumes that the [redacted] is determined to exert major control in the CE field, while leaving less controversial fields to the US to finance and support.

f. Accordingly, there is left unresolved the question of jurisdiction in the CE field, and definition of what should be considered an external or internal case in any given CE case running across unfriendly borders. As of 1953, the

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BfV, the LfV and the Bundes Kripo can and do run their own CI cases whenever executive authority is required. Aside from the jurisdictional problem, however, the relationship between the German organization and the security agencies is good. Weekly liaison meetings are held in Bonn with the BfV and field agencies are on a liaison basis with the LfVs, although a certain amount of feeling against the organization exists among the latter (nine of eleven of which are controlled by the SPD). A former member of the German organization, Albert MUNKE, is now the No. 2 man in the BfV, a fact which has been of great assistance to OHLLEN; the exchange of material, in both directions is substantial; etc.

Coverage of East-West Trade, Economic Espionage and Sabotage

g. No accurate statements can be made from available records on the extent or success of pre-1949 intelligence collection and reporting on East-West Trade. Moreover, the period of CIA sponsorship has seen identification of this activity as a field in which US and German interests are not identical and thus its conclusion as an area of possible cooperative effort. German evaluation of results in the field has been that a few sources have provided good insight but that no complete or overall coverage has been achieved; reports which have been turned over tally with these statements but certain known but unreported interests (e.g., Roman SCHILLERBACH, q.v.) would seem to deny such delimitation.

h. Virtually no results have been produced at any time in the field of economic espionage or sabotage.

West German Political Reporting

i. While the organization has interested itself at all times in being informed on happenings in the West German political scene, systematic coverage on a regular and planned basis has been undertaken only within the last year (i.e., was previously the special interest of OHLLEN and certain top assistants). A political section within the headquarters CI staff now handles these matters, however, and in doing so follows precedents set by OHLLEN at an earlier date; that is, while the German

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organization goes after any political information of interest to it, it scrupulously preserves the fiction of never reporting on West German political developments to the AD. This has meant, in effect, that information has been available largely on an off the record basis and only upon agreement to provide special handling and limited distribution on the American end, in order to maintain standing as a loyal German unit rather than a unit in American hire. With the establishment of a political section, it has been possible to assign a CI case officer on the IVB staff to handle liaison with the section. Considerable insight, especially in regard to specific cases, incidents or situations, has resulted from this arrangement, although officially there has been no change in German policy on passing information of a West German political nature to the American staff and in most instances the type of material which has been made available has been of a political/CI nature justifiable for passing on grounds given above.

CI Research Staff

1. The existence of a specialized research section is credited with having given considerable strength to the German CI staff, since the work which it has performed has made readily available to CI case officers special intelligence material of CI interest. Included in its work has been the compilation of both basic handbooks containing known information on foreign intelligence services and studies of emigre activities and personalities by nationalities, both of which fields the German staff emphasized at an early date and regards as basic to accomplishment of mission.
2. Prediction for the future in the matter of the German organization's CI work is virtually impossible, as this particular area has been the area of greatest resistance to AD scrutiny, guidance or cooperation during the period of CIA presence in Pullach. Accomplishments have been meager in matters of basic security: tracing as a routine procedure of the most basic sort has been more or less accepted in certain quarters of the organization but the firm belief remains in the validity of the bond of trust between agent leaders and in character estimation abilities of recruiting officers; there is

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continuing distrust of any testing procedures tending to discard the principle of trust between various units and levels of the organization; personal history statements required of German personnel call for relatively little information and field security checks are still more or less limited to routine interviewing - attitudes which have changed little in four years and are unlikely to undergo any fundamental reversal during an era of strictly German organizational administration. On the other hand the CI staff at headquarters has been strengthened a good deal by the addition of qualified OB officers; great emphasis is being placed on CI training. A CI training school is being set up in the near future, the training program calls for the use of live cases and a close relationship between CI case officers and intelligence material of GE interest - all matters of obvious importance and importance to the German Staff.

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History of the German Communications Organization (236)

Note: Written by [REDACTED], 102 Communications Officer

1. The history of CIPPER's 236 Organization from its inception to 1 June 1949 was written by Major Donald R. Redden, the project's original communication officer.¹ I will therefore, restrict this document mainly to the time period March 1950 to March 1953, my tour of duty at 102. Throughout this history the German Organization will be referred to as "CIPPER." The views expressed herein are the views of the writer and are not necessarily those of the Chief, 102. The time between June 1949 and March 1950, prior to my arrival, not covered by Major Redden, is discussed below.
2. Certain events and an exchange of policy correspondence during the time interval June 1949 and March 1950, had an influence on the future of 236. At the time, General Lewis, Director of Intelligence, USAFE, was taking a keen interest in Organization 236. In fact it can be stated that he appeared to share its ownership. A letter from General Lewis to the Commanding Officer, 7821 Composite Group, dated 28 June 1949, recommended specific targets and methods of operation. He placed special emphasis on coverage of the Soviet summer and fall maneuvers. Chief 102, addressed an answer to General Lewis stating in part, "An interim directive prescribing the signal intelligence mission of Project "57" is being prepared. In principle and in substance it conforms to the recommendations you made in your letter of 28 June 1949." On 14 July 1949, Chief 102 addressed a policy letter to Chief NFM, discussing the overall intercept problem and specifically the correspondence with General Lewis, the question of organization 236 engaging in cryptoanalysis and the problem re obsolete equipment. A \$96,000.00 requisition in the hands of General Lewis was also mentioned. Chief NFM at a later date, somewhat concerned with the USAFE direct participation in support of 236, addressed a letter to 102, stating in part, "Since we strongly feel that USAFE has been given concessions in 236 which creates a disproportionate power of influence over the operation, we would be happy to see an agreement emerge between you and General Taylor which would formulate a USAFE liaison

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of a much more passive nature and more in line with the present system (Army "B")

3. The Chief of ASAE, Col. WALKER, enters the picture in August 1949. After making a survey of Organization "57" (the old designation for 236) he made a report through official channels opposing continuance of the activity.

4. In November 1949, Captain FINNEGAN, USA, from the Home Office, visited PUS, and, before departing, left a "25 point" COMINT directive which helped to put our operation on a solid and secure basis. The directive, being basically sound, is still appropriate in its application to the 236 operation today.

5. As of March 1950, Organization 236 consisted of one main headquarters located in Kransberg Castle, outside Frankfurt, and three D/F stations at Bremen, Butzbach and Chiemsee. Personnel numbered about 61. The monthly payroll of Organization 236 (Organization 57 then) totaled 15,000 DM. Major REDDEN estimated that equipment totalling \$126,818.00 in cost, was being used by Organization 57 and 56. At the same time, equipment on requisition totaled \$98,862.00. It can be roughly estimated that one third of these costs could be attributed to Organization 57 (present Organization 236). All equipment had been procured from the Signal Corps and Air Force, mainly through legitimate channels. The Chief Signal Officer at the time, Major General ALEXON, was anxious to help during a conference with Major REDDEN in Washington, during February 1950, re-affirmed his desire to assist in any way. (It was at this time that [REDACTED] (Commo Officer, PUS) met Major REDDEN for a brief conference in the Home Office.) REDDEN returned to Germany shortly after, one month prior to [REDACTED] arrival. Shortly after [REDACTED] arrival, efforts were initiated to keep all procurement in Agency channels.

6. As of March 1950, Organization 236 monitored the Soviet Air Force (Sovzons), the Polish Border Police and the Polish security nets. The Air Force in Europe was primarily interested in the voice traffic from the first target. General LEWIS and his staff were showing a keen interest in Organization 236 and were making demands rather hard to meet at times. For example, USAF wanted "on the spot" German to English

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translation of raw and analyzed phone traffic. One enlisted man, working for Major REDDEN, was attempting to carry this translation work load. The type of product desired by General LEWIS was difficult to produce by Organization 236 and the U. S. staff because of personnel limitations.

7. At this point in this history, it is believed that a chronological listing of events will best serve my purpose.

March 9, 1950 - A letter from Chief, FDM, discussed the 236 problem and gave ETD of Major CONWAY scheduled for duty with COS, Karlsruhe on COMINT matters.

March 24, 1950 - A memo from General GEHLEN (Chief, ZIPPER) agreed to personnel restrictions for Organisation 236A. This offshoot intercept organization had been installed in a "mountain villa" outside Ulm, Germany. The mission of this intercept organization was the "coverage of clandestine traffic in Western Germany." Personnel was restricted to four technicians. Note - to this date the directive has not been changed or modified in any respect.

April 12, 1950 - A letter was received from Chief, FDM, describing results of a meeting between "appropriate OSS and Advisory Council officers on 28 March 1950." Guiding principles were developed for the conduct of communications intelligence phases of ZIPPER. The essential elements of policy governing the COMINT phases of ZIPPER were listed. The letter again mentioned the expected departure of Major CONWAY.

July 10, 1950 - Chief, POB, (James CRITCHFIELD) sent a cable to WASHA listing "assets ZIPPER Communications" including statement that we planned the establishment of UHF intercept station on the Sovzone Border. We also proposed use of the existing direct teletype line, POB Compound to the 236 Headquarters for "highest priority operational reports." Both proposals were subsequently authorized by the Home Office.

July 31, 1950 - A cable was received from KARLA disapproving coverage of 4th Army by Organisation 236 on the basis "this proposal means further expansion ZIPPER Signal Intelligence Organization, and contrary to MKW-4558 (Policy directive).

August 14, 1950 - Chief, POB addressed a letter to Chief, FIM, discussing 236 problems,

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the mechanics of dealing with ZIPPER at POB, and specifically the awkward and controversial status of Chief Commo Office at POB re COMINT matters. Prior to my arrival, the Home Office forwarded a letter to Chief, POB (MGKW, January 12, 1950) prohibiting "██████████" envolvement in ZIPPER COMINT matters." I was not informed of this letter at the time; in fact, the COMINT aspects of the ZIPPER Communication program which I was about to "take over" were not discussed with me prior to my departure. Compliance with this unrealistic planning and directive was, of course, impossible. From the day of my arrival at POB to the present time, a period of three years, I have been directly concerned with ZIPPER COMINT matters. This was inevitable and should have been recognized by the author or authors of the prohibitive directive referred to above. The fact that COMINT and COMMO are separated at home has no bearing on the actual situation here. The Chief, POB, pointed out in his letter that my opposite number, Col. HEPP, (Chief, ZIPPER Commo) had a "communications" and a COMINT responsibility. I was immediately saturated with COMINT problems with no legal foundation for dealing with such problems. Regardless of the conversations and correspondence about the problems, the directive (MGKW 3250), to my knowledge, prohibiting my "envolvement in COMINT matters" was never officially rescinded. I continued for the duration of my tour in this quasi legal status. It is my firm recommendation that, if in the future, a "Commo Officer" from the Agency's Commo Office, is sent to the field where it is known he will become envolved in COMINT matters, that he be given sufficient clearance, background information, authorization and training to enable him to legally do the work. It is not fair to expect an employee to engage in this sensitive field without proper backing.

August 31, 1950 - Letter received from Major CONWAY in which he says, "In continuing our relationship and support of ZIPPER's Signal Intelligence activity we must constantly have in mind the fact that we are developing an alien national group in a highly sensitive field of intelligence." As a reason for continued support of the activity, he listed "requirements of our theatre customer agencies for Soviet Zone tactical OB

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and secondly, "Our own agency interest in the procurement of Soviet agent radio intercepts.

September 1950 - Discussion began locally re proposal move headquarters 236 to another location, perhaps Starnberg.

September 1950 - 236 dropped coverage of the Polish Border Guard due to the fact that 236 crypto group were unable to break cipher being used.

October 1950 - Two members of the 236 cryptanalysis section, complained to another ZIPPER member about poor leadership by the Chief, 236. This item is included in this history to reflect a situation constantly existing - dissatisfaction on the part of ZIPPER's crypto section. On several occasions, the Chief of the crypt section complained to me about lack of personnel, lack of financial support from ZIPPER, and lack of appreciation by his superiors. U.S. policy has always prohibited improvement of this group, so it is true that it suffered "supportwise" as compared to other ZIPPER activities.

October 18, 1950 - Major CONWAY addressed a letter to POB in which he indicated the non-clandestine nature of 236A intercepts - He suggested that 236A drop coverage of the fixed "Main Line" diplomatic circuits. He also expressed his non-concurrence with ZIPPER's request to allow 236A use of the 236 D/F facilities. It should be noted here that during the past few years Chief Comm POB and Col. HEPP have been unable to agree on the nature of 236A coverage. Col HEPP and his Chief, 236A, have steadfastly insisted that much of 236A's "intercept" is clandestine. They have also steadfastly stuck to their claim that the operation has been greatly handicapped by lack of D/F facilities. For obvious reasons, the U.S. has been reluctant to expand ZIPPER's Organization 236A. Such an organization could be used for or against us. However, it is my belief that Soviet clandestine radio agents do operate in the Western Zones, that 236A has intercepted a number of these clandestine transmissions and that they could intercept and locate many more with additional personnel and D/F facilities. Whether or not 236A should receive encouragement in this field is a policy decision for "higher

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US authorities.

October 1950 - [REDACTED] and Col. HEMPF inspected a building at Starnberg used by the German Forces as a monitoring station during World War II. It was decided to procure this building if possible as a new headquarters for Organisation 236. Attempts were made but results were negative due to opposition of the Deutsche Bundespost. This organization protested to NICOM. NICOM conferred with NICOM's communication officer, who much to [REDACTED] surprise, supported the Deutsche Bundespost claim. By this time, our attempts to procure the building were receiving too much publicity for continuance of the effort. This ill fated effort also indicated that ZIMMER's liaison with the Bundespost was weak.

November 20, 1950 - Effective this date, the raw material from 236, previously delivered to POB, will be delivered directly to Major CONWAY by Major REDDEN.

December 26, 1950 - General LEWIS asked Col. McROBBIE (his liaison officer at POB) to arrange to have Major REDDEN pass 236 CW traffic directly to USAFE. Major CONWAY protested, stating that General LEWIS should make such requests through DAD. He also requested that REDDEN be advised not to discuss matters of "special intelligence" with USAFE. It should be noted here that Major REDDEN, prior to the arrival of [REDACTED] and CONWAY, had maintained a close working liaison with USAFE, SAC and numerous Signal Corps officers. In the early days of the project, this liaison was necessary. REDDEN found it difficult to adjust to the new regime. However, he did gradually and reluctantly dropped many of his previous contacts.

February 2, 1951 - Major CONWAY, in a letter to POB, tells about a series of discussions with General LEWIS and his staff with following results:

'a. A formal request from USAFE to DAD stated in part they were interested in the coverage by 236 of 24th, 4th and 2nd Air Armies, with primary interest in voice coverage.

February 10, 1951 - Chief, POB, addressed a letter to Chief, FBM describing results

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of a series of discussions with Mr. [REDACTED] (Home Office), Major CONWAY, Chief, POB, and [REDACTED]. "All aspects of 236 were reviewed and a clear and workable policy for our handling of this sensitive problem was formulated. Full agreement and understanding were reached on the following points:

- a. Chief, POB, will, in the near future, review the entire 236 problem with General GEHLEN, clearly stating the limitations we place on the scope of 236 activities, and will attempt to obtain from GEHLEN a firm commitment that 236 will confine its activities to authorized targets, primarily tactical voice traffic.
- b. 236 is capable of producing a product both useful and valuable. This can be done without jeopardizing American COMINT interest, if 236 will in fact limit its activities sanctioned by us.
- c. An expansion of the monitoring staff and facilities to include four more intercept positions (approximately 12 people, by U.S. standards, but probably much less by ZIPPER's) would be desirable and should be done if General GEHLEN gives prior assurance regarding paragraph a. above. No action on this will be taken without Washington clearance.
- d. The 236 material that CONWAY now receives provides an adequate check on the nature and extent of 236 activities.
- e. Mr. [REDACTED] will take steps to expedite the valuation of 236A material.

February 10, 1950 - POB sent a memo to ZIPPER (Commo Chief) asking that he investigate possibility of procurement of D/F equipment in Western Germany.

March 15, 1951 - Chief POB addressed a letter to Chief, MDM advising that office of the results of the conference on 12 March with General GEHLEN re 236 problems. At this conference, GEHLEN agreed to concentrate 236 on Sovzone targets previously designated. He proposed an increase in personnel at 236. He also mentioned that the Federal VS were planning radio C/I activities. He suggested loaning 236A to the VS.

March 22, 1951 - Mr. CRITCHFIELD notified the Home Office in cable GEHLEN's proposal

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that 236A be loaned or transferred to Federal VS.

March 27, 1951 - Cable from Home disapproved the turn-over of 236A to VS, giving as primary objection - "Mission of 236A is coverage of Soviet Agent transmissions and this delicate tool is the last one we desire to turnover to the German Government." This same cable also said that 236A had not demonstrated CI/CE capabilities .. that the evaluation of the 236A product showed coverage almost exclusively diplomatic links rather than clandestine traffic.

April 2, 1951 - Col. HEPP proposed establishment of an "Advanced monitoring" station on the Sovzone/US border and a new station to be located in Berlin.

April 6, 1951 - We investigated rumor that QV A was monitoring Hungarian Police CW net; discovered that this activity had been going on, unknown to us, and that 236 headquarters was breaking the cipher.

April 17, 1951 - HEPP given authorization to hire 10 additional operators and/or evaluators to properly handle existing work load, not for expansion.

April 20, 1951 - HEPP sent a memo to POB defending the "searching" activities of 236 during the past few months. We had previously on numerous occasions discussed with ZIPPER their tendency to disregard our wishes re 236 targets. In the same memo, HEPP stated that the "Polish Radio Network" was dropped by special order of the 45 section. He stated further, "236 was requested to lay stress on its telegraphy monitoring, tracing radio nets of the Soviet Army outside the Soviet Occupation Zone of Germany. Reasons for this change in monitoring were given by the demand for a comprehensive survey about the radio nets of the Soviet Army, in order to gain a basis for a later permanent monitoring of radio nets, which are of special importance for our work."

Comment - The above quotation from HEPP's memo reflects in a few words ZIPPER's thinking re missions for 236. It also reflects a growing independence on their part. Note that the Polish monitoring was dropped by order of 45. No mention is made of American concurrence. In the eyes of ZIPPER, 236 should have targets best suiting the purpose of ZIPPER now and the CIS in the future. ZIPPER is not enthused about restricting

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236 to targets rich in raw traffic simply to make us happy. Actually the Polish monitoring was dropped because of a cipher change. ZIPPER could no longer break the new cipher; therefore, from their viewpoint, the target was no longer lucrative.

June 28, 1951 - Major CONWAY addressed a letter to the Home Office proposing a new intercept station at Lauf, under US sponsorship, utilizing trained German personnel known to be available. He stated "From a purely US point of vantage, the direct purpose of the establishment of the proposed intercept group is the collection of desirable raw radio traffic, not now available for processing by a US crypt and traffic analysis agency, with the US having full and complete control in the assignment of coverage." CONWAY devoted a portion of his letter explaining why ZIPPER has not been and never will be, a heavy producer of raw traffic. He also pointed out that the US could clearly benefit by supporting an organization as proposed, as compared to supporting ZIPPER's 236. He stated further, "It is recommended that the proposed plan be presented in its entirety to ZIPPER, and that they be fully acquainted with our purposes."

August 17, 1951 - Chief, POB, in a letter to COS, KARL, described a meeting with Chief ZIPPER during which he reviewed the 236 problem, telling him "This is one of the issues on which the US and German views have never been reconciled; that we had consistently opposed 236 tendencies to wander off on explorations that provided us nothing of value; and, that because of this, it was the general feeling amongst my colleagues interested in the problem that the difficulties of control of 236 limited its usefulness to us in collecting selected traffic." Mr. CRITCHFIELD then acquainted General GEHLEN with the Lauf planning, GEHLEN expressed his enthusiastic approval of the plan and said that if it were put under the ZIPPER roof, he would agree to complete US control and direction of the effort. He also made a statement which we should not forget - that he intended to sponsor the development of a very large German effort in this field as soon as the political and legal status of Germany made it possible to do so and mentioned that both the [] and the [] had raised the problem

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of cooperation in this field with him. Note - ESTIMATOR believes that GEHLEN's enthusiasm for the Lauf proposal was not based on the probability that the US would get large quantities of raw traffic from Lauf. The reason for his enthusiasm and support was no doubt based on his assumption that eventually ZIPPER (or Germany) would inherit Lauf, "lock, stock and barrel."

August 20, 1951 - POS forwarded a document to FDI prepared by Major REDDEN with detailed information about 236 personnel.

August 28, 1951 - POS forwarded a letter to Chief, FDI, telling of plans for a new 236 headquarters building. The building planned was described and a cost estimate included. The old question of whether it was advisable to improve this Foreign Communication Intelligence service was raised. Policy guidance and comments were requested.

August 22, 1951 - Col. HEPP suggested that the Lorenz firm could manufacture D/F equipments for ZIPPER.

September 1951 - REDDEN searched for suitable locations for a new 236 headquarters.

October 1, 1951 - POS addressed a letter to the Director of Communications, telling about ZIPPER's requirement for three or four ADCOCK D/F's and mentioned that Lorenz of Western Germany might be interested in contract, especially if the number could be increased by other Home Office requirements. It was stated that the Chief, Signal Officer, SUCOM, might be willing to "front" for us in negotiation of a contract.

October 26, 1951 - A letter was sent to Chief, FDI, describing 236 activities, problems and our planning for the future. Policy guidance was requested. This letter was also addressed to Director, Communications. , while home on TDY, asked the Director Comms for comments and was informed that he had not seen the letter. A check revealed that the letter, by intent, was not forwarded to Director, Communications by FDI. A letter received later from Chief, FDI stated flatly that letters re

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236 (COMINT) was not sent to Communications. In this same letter from FDM, [REDACTED]

[REDACTED] was directed to stop addressing such letters to "Communications."

November 29, 1951 - A cable from WASHIF stated in part that funds were now available for construction of a new 236 headquarters. Also approved - 4th C/T station, VHF intercept station Meissner area, and new D/F equipment, result our proposals in letter described above - 26 October.

November 1951 - Lt. Col. Roy arrived FOB from Home Office to be deputy Commo Officer, POB.

November 1951 - Director, Communications, General H. M. McCLELLAND visited POB and 236 headquarters. Party attended by appropriate 236E's - was held at [REDACTED] home.

December 18, 1951 - HEPP forwarded a memo to POB describing a new ARCOCK D/F development by Telefunken.

January 1952 - [REDACTED] TDY for Home Office Communication Conference.

February 1, 1952 - Monitoring team installed at Berlin Tempelhof Air Base.

February 1, 1952 - WIPPER inquired about the availability of Leut for a new 236 Headquarters in place of the proposed new construction.

March 17, 1952 - Commo Officer, POB had a conference with HEPP informing him that our planning was as follows:

- a. New 236 Headquarters will not be built in the Frankfurt Area.
- b. Efforts would be continued to procure "Funkhaus" at Söeckling (near Starnberg) for utilization as headquarters for 236. 236 would move to Söeckling.
- c. Propose move T/A and cryptanalysis personnel from Headquarters 236 to Pülzach Compound (cleared area).
- d. Berlin team will remain permanently, if possible.
- e. Mobile team will cover Soviet Spring maneuvers from the station in the Meissner Area.

March 17, 1952 - Major CULWY forwarded Progress Report No. 1 to Home Office on Land

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project. I will not attempt to discuss this report in detail because of its length and multitude of subjects covered. The production at Lauf was mentioned as quite satisfactory. FLICKE (German Chief of Lauf Station) was told that the mission for Lauf was "collection of satellite traffic." The "storm clouds" forming over ZIPPER's 236 organization because of FLICKE and Lauf were discussed. CONWAY mentioned that FLICKE hoped KETTLER would be the Chief of Germany's future listening service.

March 24, 1952 - Chief HQS addressed a letter to Chief EG, subject 236 policy. The first sentence is descriptive of the contents of the letter- "The purpose of this letter is to reduce to writing our understanding of current policy regarding ZIPPER 236 and related German COMINT activities." Twelve basic policy points were included. Because of their importance, the twelve points are quoted verbatim below:

- a. A short range objective in supporting 236 is to produce information of immediate importance to the USAFE, A-2 and the EUCOM G-2 for use in their continuing preparation of estimates of the situation for the US military commanders in Germany. Because of this fact, we tacitly approve the performance of limited traffic analysis at the 236 Headquarters to provide a product of immediate value to A-2. This falls in the category of "early warning" intelligence.
- b. A long range objective in supporting 236 is the procurement of increased volume of raw traffic for use in our own evaluation effort. Since the type of work now done to accomplish our short range objective (a. above) discourages the production of the type of raw traffic required for our own use, we should recognize an element of conflict in our short and long range objective.
- c. We will continue to indoctrinate ZIPPER to handle all 236 materials securely; insist that it is not used as collateral material by evaluation groups handling material produced by agent operations; encourage ZIPPER to limit the internal ZIPPER dissemination of 236 material to a special 236 cleared area; and, insist that the dissemination of 236 material be handled via specialized secure channels.

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d. We will influence ZIPPER to separate the valuation and analysis phase of 236 from the collection phase. Our long range interest (b, above) lies primarily in the exploitation of the raw material from the collection phase. Our maximum support will be in the collection element of 236. We shall limit our support of the evaluation and analysis element of 236.

e. We shall continue to support limited on-the-spot analysis of Soviet tactical level traffic that serves to expedite the reporting of early warning information to the US Armed Forces in Germany.

f. For the present, we will oppose a merger of the group at Lauf with ZIPPER 236; however, we still will agree to the establishment of a channel between them and the exchange of material. Maximum possible US control of this exchange will be affected.

g. We have decided to abandon all plans for building a new 236 Headquarters since such a project would not serve any particular US advantage. The entire cost involved in a resettlement of 236 would be approximately DM 400,000, or almost \$100,000. This does not appear justified.

h. We will continue to explore the developing relationships between ZIPPER, the Lauf Project, the German Army, the German Intelligence Service and all other individuals and agencies interested in the German COMINT field.

i. We will attempt to monitor German exchange agreements with other Western European countries with a view toward obtaining the maximum amount of raw traffic for our own purposes.

j. We will not at this time, adopt a clearcut plan either to encourage disension among German COMINT individuals and organizations or to exert pressure to consolidate all German effort in this field with a view toward strengthening the overall German effort. However, we will positively support ZIPPER 236 to the extent that they can most adequately perform the mission outlined in para a above; and, assuming that they cooperate in along the lines of a., b., c. and

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d, above, we will gradually strengthen 236 as presently constituted.
k. We will encourage ZIPPER to obtain, through German channels, an adequate new location for 236.
1. As immediate steps to increase the effectiveness of ZIPPER for performing its early warning mission (para a above) we are establishing a monitoring site in Berlin. Additionally, we are establishing immediately an HF and VHF mobile monitoring station at a selected location near the Sovzone Border for the purpose of covering Soviet ground force voice transmissions during the summer maneuvers. Eventually, a permanent installation will replace the mobile station; however, this cannot be accomplished in time to cover the 1952 summer maneuvers. The policy reflected above was many years in the making. It provided a good foundation upon which to plan the future.

May 15, 1952 - Col. HEPP addressed a memo to [REDACTED] discussing the possibilities of monitoring the 59th Air Army. He concluded that it could not be effectively accomplished without additional operators. Or, it could be done by dropping coverage of the 24th Air Army.

May 22, 1952 - We reported by cable that our mobile team in the Meissner Area had intercepted Soviet tanks using voice on frequencies between 24.5 and 37.6 amplitude modulation.

May 26, 1952 - Cable received from Home indicating high degree of interest in VHF voice intercepts. Requests that transmissions be recorded as monitored.

June 2, 1952 - A cable from Home authorized CONWAY to arrange procurement (through Chief, EUCA) five Telefunken D/F equipments, 2 for Lauf and 3 for ZIPPER 236.

Note - we had previously understood that Lauf was not to get D/F equipment.

June 6, 1952 - Our answer to the previous Home Office cable which requested that the VHF voice intercept be monitored, stated that magnetic disc recorders would be sent. We asked for additional receivers, 3 each SP-600, 3 each VHF receivers, and 2 each VHF D/F units.

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June 9, 1952 - Chief POB, in a letter to Chief EE, told about a meeting on 28 May with General GEHLEN and appropriate staff. During the meeting, CRITCHFIELD informed GEHLEN that Col. HEPP and Chief 236 had systematically held out on us for the past few years and that 236 had gotten its efforts in line with our requirements only under pressure. General GEHLEN, quite agitated, answered, "that's not true." The possibility of covering the 59th Air Army was also discussed. GEHLEN, at this same meeting, said that he intended to establish a small 236 evaluation group at ZIPPER headquarters in the immediate future to handle all intercept products available to ZIPPER, including the Lauf traffic received by ZIPPER. Chief POB had previously requested that this be done.

June 10, 1952 - A Staff study was addressed to Chief EE with specific recommendations concerning improvement of 236. This study, prepared by Lt. Col. ROY, was detailed and comprehensive in scope. It gave careful consideration to ZIPPER's capability, our objectives and then made recommendations for new equipment, new installations and re-organization within 236. The estimated cost of antenna's and equipment listed in the annex to the basic letter was \$155,361.00. Additional monthly expense involved for new personnel totaled 10,900 DM. Procurement of the Funkhaus at Soding or other suitable location, was a vital part of the plan.

June 23, 1952 - Major CONWAY informed the Home office that arrangements had been completed with Telefunken for procurement of 3 D/F units at a cost of 26,500 DM each.

June 28, 1952 - CONWAY forwarded a letter to Home Office subject mainly Col. KETTLER, his trip to Bonn and his conversations with General HEUSINGER. The latter is quoted as saying that he would advise GEHLEN to contact KETTLER, fully brief him on Zipper and arrange to have him employed by that organization. Apparently as a result of this conversation, GEHLEN, HEPP and KETTLER met in Munich on the following Friday morning and had a rather frigid conference, at least insofar as KETTLER and HEPP were concerned. However, a series of exchange visits between 236 Headquarters personnel and Lauf personnel were arranged. CONWAY also touched upon the professional

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jealousy between HEPP and KETTLER. His letter ended with the following statement - "The solution that we are suggesting is that ZIPPER take on KETTLER as their Chief of Signal Intelligence and support him for the eventual official role."

June 24, 1952 - Major REDDEN (scheduled for ZIing) was "ordered" by Col. PHILP to report to Col. CHESTER of ID EUCOM on 25 July for a meeting. REDDEN was questioned closely on experience gained with 236, in particular the signal phases, including equipment. He was asked re his knowledge of other US signal personnel qualified in the intercept field. Col. CHESTER asked Major REDDEN if he was interested in an extension of EUCOM service. REDDEN answered in the negative.

July 28, 1952 - MOLA-12565, Subject, ZIPPER Cryptanalytic Success Czech Internal Security Service (STB) forwarded to CO3, Frankfurt, copies Chief EE (1 for staff C). Contents of this letter will not be discussed herein. Readers of this report may procure the letter from the files if interested.

August 1952 - Major REDDEN departed for the states to attend a business administrative course at Harvard.

August 4, 1952 - CONWAY in a letter to POB speaks of the excellent technical liaison between 236 and Lauf stating further that the intercept coverage has been coordinated as follows:

- a. Organization 236 covers Soviet tactical air and ground force nets operating in the Soviet Zone of Germany.
- b. Lauf covers the Satellite (Czech, Hungarian and Polish). "The only point of overlap is in the case of one specific Czech net which is covered by both units to insure 100% coverage." In this same letter, CONWAY requested more frequent delivery of the 236 product. A satisfactory delivery schedule was subsequently arranged between CONWAY and Captain JEWETT.

August 5, 1952 - Captain JEWETT arrived for training prior to filling the vacancy created by Major REDDEN's departure.

August 11, 1952 - MOLA-15523, from Chief EE, forwarded the approval of the POB

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staff study which proposed improvement and re-organization of 236. The Staff Study was previously referred to in this history. See item under date June 10, 1952.

August 12, 1952 - Lt. Col. ROY conferred with CONWAY in Frankfurt. Lt. Col. ROY pointed out that POB was in an awkward position these days because of agreements reached directly by virtue of the liaison between 236 headquarters and [REDACTED]. We were not being kept fully informed and often found ZIPPER Headquarters better informed than ourselves. On another subject, CONWAY mentioned certain known deficiencies in 236 evaluations caused by remoteness of evaluators from the 45 section at Pullach. ROY stated that this was well recognized and that it was our desire to move these functions to the compound.

CONWAY also mentioned the non-desirability of rendering additional support to the ZIPPER Cryptanalytic activity. ROY answered that this was, of course, already firm policy at POB.

September 10, 1952 - [REDACTED] and [REDACTED] from the Home Office, accompanied by CONWAY, visited POB for conference with Mr. GRIFFITHS, Mr. [REDACTED] and Lt. Col. ROY. In an "all day session" various aspects of the 236 problem were discussed. Results of the conference could be interpreted as a vote of confidence for POB in its guidance of the 236 program. The visiting gentlemen stressed their primary interest in raw traffic. [REDACTED] and [REDACTED] re-affirmed their Home Offices' approval of our plan to improve and re-organise 236 if it would result in a "better product and more of it." Both visitors asked several times about the possibility of "some sort of an agreement" with ZIPPER assuring us of the receipt of "raw material" in the future.

September 16, 1952 - Based partly on conclusions reached during the above conference, STINDSON addressed a memo to Chief POB including, amongst others, the following opinions:

a. ZIPPER (236) will want continued financial support from us for the next few

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months. After that the possibility exists that 236 can be self supporting.

b. Any incentive to make an agreement with us regarding continuing to furnish the product will be based simply on ZIPPER's decision to cooperate with the AIS - not necessarily on the need for continued American support.

c. Home Office can not give direction regarding targets, but we can guide ZIPPER locally.

d. COMINT interests are for ZIPPER superior ~~raw traffic~~; the by products, OB, etc., are of slight interest.

October 23, 1952 - By copy of a letter addressed to Chief, Bonn, COM, Frankfurt, informed Chief POB that on 23 October KETTLER had received a letter from Col. FREDE, deputy Signal Officer in the Blank office, wherein FREDE advised that Col. BAYER (Signal Officer) wished to visit Lauf - to discuss its purpose and future. In this letter, CONWAY stated, "it is felt that BAYER's visit is desirable and might possibly aid in clearing the air with regard to the status of Lauf generally and KETTLER specifically."

October 22, 1952 - Chief, POB received a letter from CONWAY which contained a document described as "Operational Policy, German Signal Intelligence Activities." The cover letter referred to recent conversations with Mr. STEWART and Mr. CRITCHFIELD, adding that, "The attached document outlines the agreed policy that we intend to follow in the future."

November 4, 1952 - Chief Commo, POB addressed memo to Chief POB outlining certain specific disagreement with policy discussed above.

November 5, 1952 - Tabulation of GW cipher groups delivered to us by 236 over a two year period shows average 894 groups per day, or 26,830 groups per month.

November 7, 1952 - Chief Commo POB sent memo to Chief POB pointing out that "MGLA-11938, 10 June 1952, contained specific recommendations for comprehensive expansion and changes to 236 in accordance with a carefully prepared plan and study. MOHQ-15523, 11 August, said that the office approved." This plan and authorization appeared to

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be contrary to the "Operational Policy" recently written by CONWAY.

November 7, 1952 - Deputy, 236 stated that effective November 1, 1952, the primary mission of the CW group at 236 was designated, Volkspolizei, Sovzone. 236 dropped all coverage of CSR nets, giving same to [redacted]. Instructions were also issued not to lose touch with another old mission of the CW group, Soviet Ground Forces, Sov-zone. He also said that the cipher group count, output from the CW group, (raw traffic for us) is now very low due to the above changes in targets. In reverse, the traffic count at Lauf will rise.

November 14, 1952 - A check revealed that the Hungarian traffic is being copied by three Hungarian operators employed by "UM." The station is located outside Salzburg. Traffic is pouched to 236. Costs are borne by "UM."

November 18, 1952 - Chief POB, in a letter to COM, copies to Home Office, said in part, "The cover letter of reference may give the impression that the undersigned is in complete agreement with the statement of policy on "German Signal Intelligence, Groups and Activities" that was attached to reference. This is not the case; there are certain aspects of this statement of policy with which, we feel, require further examination." Para 2 stated further, "We believe this problem should be reviewed at both the COM and Washington levels." "POB views in the form of informal comments on reference by Chief, POB and the Chief of Communications POB are attached hereto." Comment: Any interested reader of this history will find the reference, EOLA-1030, 18 November 1952, a vital element in the slowly developing policy re German Signal Intelligence. The entire complex problem leads inevitably to lengthy and complex correspondence between the US offices concerned. It is impossible in a condensed history to accurately reflect all opinions and agreements with a bearing on the problem.

November 20, 1952 - Col. HEPP and Deputy 236 expressed considerable unhappiness over the rapid expansion and strong support of Lauf. Col. HEPP remarked that he was still of the opinion that within Germany, it would be better to have one

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"centrally directed intercept activity". Deputy 236 remarked that it was apparent that Major "CONNALLY" had excellent financial support from some American source. Both ZIPPERITES, in effect, were asking, why does Lauf get such excellent support considering the reluctant support given 236 by the U.S.? HEPP was informed that we were not aware of any "unusual support" being given Lauf and repeated that the support given to date was given with one objective in mind - to get a maximum amount of raw traffic from Lauf. Deputy 236 informed me that he now had close liaison with GLOEKE and also met KETTLER on occasion in Munich.

December 12, 1952 - A letter from Chief of Base, Bonn, refers to a conversation between GLOEKE and STALDER in which GLOEKE "brought up the subject of CONNWAY's recent call on BLANK and HEUSINGER concerning the Lauf project." "GLOEKE asked me the reason for this coordination with BLANK because he felt that the Lauf type activity should be coordinated with ZIPPER." STALDER went on to say that ZIPPER wanted to take over Lauf, but the German personnel at Lauf refused to join ZIPPER, first because of their antipathy for Col. HEPP, and secondly because they claim ZIPPER does not represent an official German Government Agency. They preferred to be legalized by BLANK as an official agency. GLOEKE answered that he could understand the reasons but added that eventually ZIPPER, as the future GIS, will have sole responsibility for the [redacted] type of activity.

Coincident with the arrival of the above letter, Mr. CRITCHFIELD received a carefully worded blast from OEHLEN regarding CONNWAY's conversations with the BLANK office.

December 31, 1952 - Chief PDB forwarded a copy of the OEHLEN "blast," commenting in part as follows: "His basic point is that we had expressed the intent of turning over to the German Intercept Service, Lauf, at an future date when a service has been established; that the German Government has clearly advised us that the intercept service will be in the GIS; and, that he considers the approach to the BLANK office contrary to what he had considered to be the US position." In this

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same memo GELLEN proposed that Lauf be turned over to ZIPPER 236 without further ado. Chief POB, in his letter, stated, "It is believed that this matter can be amicably settled with GELLEN next week in Bonn, without making any concessions other than:

- a. Re-affirming our position that Lauf will eventually be turned over to whatever German agency the government directs.
- b. A general agreement that the statements that have been made on both sides during the past month need not be debated if para a above is accepted.

December 31, 1952 - A letter was received from CONNWAY (written 24 December) in which he reviews the events and correspondence of the past few weeks re Lauf, ZIPPER 236, Blank Office, GELLEN's reactions, etc. I quote paragraph 4:

"As we have seen from the results of the recent visit to [redacted] by members of the Blank Office, we can expect opposition from UTILITY if we pursue the above suggested action. It is believed, however, that UTILITY's objection to the establishment of separate organizations is based on the potential political competition offered rather than technical reasons. It will be recalled that prior to the establishment of [redacted], the idea was discussed with UTILITY, and his reaction was favorable. His objections only became audible when it appeared that [redacted] was being offered to the wrong elements of the Blank Office. This interpretation incidentally was erroneous as no such offer was made, or suggested. The only purpose of the Blank contact was to extend an official invitation to the Blank Signal Officer to visit [redacted] and to acquaint the German Government with the project and its purposes."

A few days later, we received a copy of a letter addressed to Chief, Bonn by CONNWAY. Para 2 stated, "As a result of recent discussions at POB, ZIPPER will be formally advised that the Lauf project was not offered to MT Blank and that it will remain under US control. So - at present all is quite peaceful. GELLEN has been temporarily pacified. NEPP and Deputy 236 are taking every possible advantage of their

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liaison with FLICKE and KETTLER at Lauf and do, in effect, have some control over the operation. The raw material available to HEPP comes from both Lauf and 236. OEHLEN and his staff look forward to having full control at Lauf at some time in the future.

8. We should occasionally ask ourselves the question, "What returns are we getting for money expended? The ZIPPEN Communications budget for this year totals 130,000 DM which includes 36, 136 and 236. \$155,000.00 was also appropriated for the re-equipment of 236. The cost of equipment in use, support by HEPP's headquarters staff, support by headquarters laboratory, if added to the previous figure, increases the cost considerably. The following specific benefits can be listed:

- a. Excellent general coverage of Soviet 24th Air Army.
- b. Special coverage of Soviet Army maneuvers from Sovzona Border station, partly in VHF spectrum.
- c. Partial coverage of other satellite targets in the past.
- d. Continued knowledge of German individuals trained in this specialized work.
- e. Accumulated knowledge of German methods and techniques in this field.
- f. Opportunity to develop the existing potential if desired.
- g. Opportunity to use the German organization in war time.
- h. Receipt of raw traffic.

9. What about the future for 236? It should be evident to the reader of this history that a difference of opinion re the future would exist amongst US officers closely associated with the German Intelligence programs. I believe I speak for all concerned at POD when I say that we expect ZIPPEN's 236, or ZIPPER as the GIS, to be the controlling organization in the German Communication Intelligence Field. We have, for this reason, preferred to deal with OEHLEN. It is, for this reason, that we did not feel that it was politically advisable to make direct overtures to the Blank office, by passing OEHLEN. It is probably that elements of the German

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military will become involved in the intercept field, but I believe the GIS, the "parent" organization will hold control. The product from these other intercept organizations, will, no doubt, be channeled to the GIS. We know that ZIPPER already has established liaison with the Deutsche Bundesposte and have had discussions with them about future joint use of facilities. We know that General HEU-SINGER favors ZIPPER 236 as the foundation for the future German intercept service. We also know that GUILLEN has stated that he plans to make a great expansion of the monitoring and D/F service. The opportunity to work closely with the intercept service of the GIS is still ours. Careful planning will be necessary. Solid agreements, with certain concessions on "both sides" will probably be desirable or necessary. Perhaps appropriate US officials will decide that continued support to the future GIS COMINT organization is contrary to US interests. Whether or not this would be a good decision is beyond the scope of the writer. I have attempted in this history to deal mainly with facts and events. It is true that my personal opinions will reflect some bias. This is impossible to avoid. It is hoped that the history will provide some assistance to others involved in the fascinating and complicated problem discussed herein.

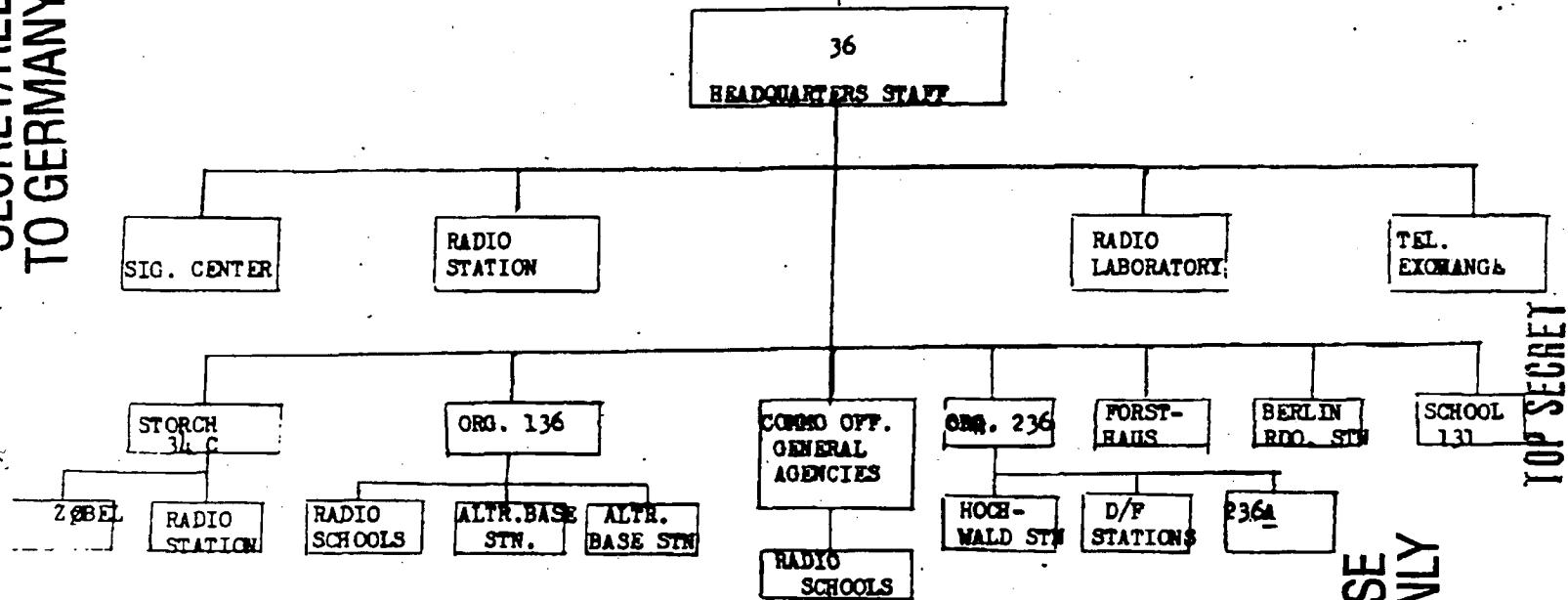
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II.

- 1. Communications and Signal Intelligence
- 2. German U-2 Agent Program (138)

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Soviet U/T Agent Program (136)

Note: written by [redacted], POW Communications Officer

1. This history covers the time from March 1950 to March 1953. Major Badden prepared a history covering the time prior to March 1950. The current organization will be referred to herein as 136...
2. I will confine this history, in so far as possible, to purely 136 operations. In other words to the Commo program supporting agent operations in the Soviet Zone and other Soviet outposts. The (A136) program can be treated separately, although it should be recognized that Col. Baren and his immediate staff do support the SATURN program.
3. On March 1, 1950, 21-PW Commo support for the 136 program could be described roughly as follows:

Personnel (Directly concerned with 136)

- 1 Chief COMINT Commo
- 1 Deputy
- 1 Chief 136
- 1 Deputy chief 136
- 13 Administrative personnel - drivers, cooks, clerks, etc.
- 4 Engineers and Technicians at the laboratory
- 9 Radio operators at primary agent base station
- 4 Radio operators at secondary agent base station
- 2 Radio Instructors

36 Total

Installations.

- 1 Primary base station at Schleissheim
- 1 secondary base station at [redacted]
- 1 Radio Laboratory at [redacted]
- 2 Radio Schools, [redacted] and [redacted]

Equipment

At Base Stations - U. S. mainly from dismantled SCR 300's, German World War II transmitters and receivers.

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Agent Equipment - Mainly ZIPPER 3 Watt and a few U. S. SSM-1's.

4. The primary base station at Chiemsee was located in an old castle. The transmitters, remotely controlled, were located at a "Yacht School" across the lake. The secondary base was located in a villa in Butzbach, outside of Frankfurt. Both installations were adequate for the existing load but were an eyesore, being far below U. S. standards. The small radio laboratory had space in a house at Chiemsee. It also appeared "sloppy" and disorganized.

5. During April 1950, Hepp forwarded a status report listing clandestine W/T operators as follows:

9 Active - had contact with base.

10 Lost - dropped or "picked up".

4 in training

6. The signal plans used by ZIPPER's radio operators at this time were extremely simple. No written plans or instructions were furnished. The cipher was of the double transposition type. (pseudo double transposition derived repeating key - extremely insecure). Hepp and his staff insisted that it was not safe to provide actual written plans to an agent. I argued against this, and as will be noted later in this history, was finally successful.

7. It should be noted here that in the early days accurate information about ZIPPER's agent radio program was extremely meager in quantity. The Signal Corp Officers, including Reddon, assigned to the program, were not qualified by Agency training or this type of work. I wish to state clearly that this statement would not be mis-construed as a criticism of Reddon, who, in my opinion did a remarkable job during the early chaotic days. However, he was handicapped by a complete lack of experience or training in clandestine communications. As a result ZIPPER's Hepp was in a fortunate position. It was possible for him to paint a rather rosy picture of his accomplishments, without fear of having his "Bubble" punctured. To dig for facts, to penetrate, to improve his program and to be able at any time to correctly

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evaluate our assets was essentially my job.

8. A chronological recording of events follows with explanatory remarks when appropriate.

April - May 1950 - [REDACTED] held numerous conferences with Hepp discussing all aspects of the 136 program.

June 8, 1950 - A letter addressed to Chief FDM and Commo described ZIPPER's agent operators radio training - methods and procedures.

June 1950 - We were notified by ZIPPER that seven agents were arrested by Sovzone authorities. Four of the arrested were radio operators. This loss was a heavy blow to the program. Investigation revealed that an unhappy wife who had access to her husband's (who was an agent leader) records was the cause of the arrests. She contacted the Soviet authorities.

June 21, 1950 - [REDACTED] forwarded a letter to Commo requesting receivers, transmitters, Boehme assemblies, perforators and VHF control equipment, for the 136 program.

July 1, 1950 - A status report from Hepp lists 8 radio agents having contact with the base.

July 1, 1950 - [REDACTED] sent a memo to Hepp asking for copies of signal plans for N/T agents, guaranteeing their storage in a "safe area" for war time use. By safe area, I meant the United States.

July - August 1950 - Project JUPITER, established as a result of tense world conditions caused by the Korean war, gave a shot in the arm to Sovzone agent operations, including clandestine radio. One result of JUPITER was the immediate establishment of a ZIPPER teletype network throughout Western Germany. Ten additional base station radio operators were also authorized. A new message center in the Frankfurt area for service to ZIPPER organizations in that area. Additional radio operators were provided for the Berlin radio station.

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July 21, 1950 - A detailed status report was forwarded to the Home Office. All available information about each W/T agent operator was included. The list totaled 17, including active, in training and fully trained but not placed.

July 28, 1950 - HORBEL requests a teletype installation for the Secondary Agent Base at Butzbach, giving as additional argument the fact that PAPER MILL (The Butzbach station) handled the Berlin radio circuit.

August 7, 1950 - A letter from COMMO Home Office, recommended strongly that the ZIPPER operators be furnished SSTR-1 agent equipment. COMMO also suggested that, if ZIPPER refused to use the TR-1, perhaps it would be possible to have a set manufactured in the US Zone comparable to the RS-6. The same letter requested copies of all ZIPPER signal plans for possible war time use at an American base. POB had previously requested copies from ZIPPER informing them that "These plans will be forwarded to a safe location for storage."

August 17, 1950 - POB was notified by COMMO Home Office that a cardex accounting system had been established for all ZIPPER Communication operations.

August 23, 1950 - MOLA-3111 with attachments, described the 136 organization in great detail. It is recommended reading in connection with this history for anyone with more ^{than} casual interest in the subject. Because of its length, it is not included herein. MOLA-3161, forwarded to IDM and COMMO on 25 August, should be read at the same time. It comments in detail on the Home Office proposal that ZIPPER use SSTR-1's and includes their objections to this equipment. The problem of having a radio base for ZIPPER's war time use is also discussed.

September 27, 1950 - POB sent dispatch Home outlining type of information which we planned to furnish on each W/T operator for utilization with new cardex accounting system being established by COMMO.

September 28, 1950 - Memo sent to ZIPPER COMMO authorizing employment of 8 additional radio operators for Organisation 136.

October 23, 1950 - A letter from FDM stated that FDM would furnish COMMO with all

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necessary information about ZIPPER's clandestine operators from reports addressed to FDM. It was pointed out that it was not necessary to prepare "special reports on operators for the Commo Division."

November 10, 1950 - Received from ZIPPER Commo a detailed report about actual base station communication with agents during the past month. Such information, as length of contact, signal strengths, any special difficulties, etc., were included. The report was edited and forwarded to the Home Office.

November 20, 1950 - POB addressed a letter to FDM, subject, "ZIPPER Agent Radio Base Stations", discussing the requirement for adequate stations and the urgent need for shipments of radio equipment. A requisition for rather costly equipment was attached. Two paragraphs are quoted below, because the policy discussed reflects the realization that ZIPPER Commo could not be supported on a shoe string basis.

"4. If, for policy or economic reasons, it is necessary for ZIPPER to continue with inadequate radio bases, the situation would not be completely intolerable. Communications, although sub-standard, would still be maintained with W/T agents. The effectiveness of the stations would go down slowly as additional field agents were added.

5. It is believed that the suggested improvements involving expensive new equipment and new locations for 136 stations represent a clear-cut change in the type of support for ZIPPER communications. Home Office approval in principle of this new procedure is requested at the earliest possible date. If authorization is given to support ZIPPER communications as outlined, Lockhart will keep the Chief, Commo Division, fully informed re major changes and will ask for approvals prior to implementation of any major planning."

The "vote of confidence" requested below was later received from the Home Office. The Chief of Base, in another letter, phrased the situation briefly as follows: "Are we prepared to make the basic decision that, if ZIPPER W/T activities are worth doing, they are worth doing well?"

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December 10, 1950 - At a conference with ZIPPER's Commo Chief, it was decided:

- A. Secondary agent would remain at Butzbach location but transmitters would be installed in a new installation about a mile away.
- B. The Funkhaus at Soecking would be procured for use as a new headquarters for 136.

January 30, 1951 - A letter to FDM and Commo made amendments to basic letter previously forwarded describing Organization 136. This new dispatch included sketches showing status of agent operators active, in training, etc. A sketch showed the German teletype subscriber network which on this date provided service at 7 locations in Western Germany.

January 31, 1951 - Col. Hepp's budget was increased from 50,000 to 53,000 DM per month to permit hiring of additional radio trainers.

February 26, 1951 - Due to Army pressure we gave up the Yacht school at Chiemsee (transmitter station) and moved transmitters to the Villa Brown.

February 28, 1951 - Commo Officer PDB addressed a memo to Chief FOE, subject, "Early Warning Net", pointing out that our assets for early warning were meager indeed. Sovzone radio operators had not been tied in effectively with intelligence agents.

April 16, 1951 - FDM had previously asked us to predict number of stay-behind operators to be available on specific dates. The following prediction was made:

1 April 1951	- 13
1 July 1951	- 23
1 January 1952	- 38
1 January 1953	- 60

The above predictions referred to the STORCH program only.

May 14, 1951 - Status report sent FDM and Commo on ZIPPER W/T agent operators.

The report broke down as follows:

Active	- 4
Training Completed	- 2
Advanced Training	- 7
In training	- 6
Total	- 19

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The same letter also listed 14 Commo Officers and trainers employed by 136 and the General Agencies.

June 29, 1951 - A description with pictures of Bristol transmitting station (secondary agent base) was forwarded to the Home office. This station, including the building, less equipment, had been completed at a cost of about \$2500.00.

August 22, 1951 - KARL asked for information re all early warning radio agents in the Soviet Zone. Information was desired for a EUCOM briefing.

September 28, 1951 - A long detailed status report, 136 agent operators, was sent to the Home Office. A breakdown follows:

Total Operators	- 27
Active Contact with Base	- 5
Test Contact Basis	- 10
Initial Training	- 7
On "Ice"	<u>- 5</u>
Total	54

November 1951 - Major (now Lt. Col. Roy) arrived at POB to be deputy commo officer.

February 7, 1952 - Deputy Commo Officer, POB, suggested that the alternate agent base at Butzbach be eliminated when the new primary base is furnished.

March 1952 - Memo to Chief POB, discusses agent radio program stating that "we now have 13 active agents."

April 1952 - Status report forwarded to the Home Office. The report noted that 6 ZIPPER agents had been trained in the use of OTP cipher.

April 6, 1952 - Area surrounding the home of our radio agent at Frankfurt/Uder searched by Soviets with mobile D/P. Agent put on ice.

September 1952 - Request received from Frankfurt for complete information on all Sovzone W/T agents for briefing General Ridgeway.

October 1952 - A brief status report forwarded to Commo at home brought out the following figures:

18 Sovzone W/T agents
28 In training
60 Teams by 1 July 1953 - STORM Goal
A total of 100 ZIPPER agent operators distinct future possibility.

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October 1952 - Mainly due to efforts of Lt. Col. Roy, a new W/T agent report form, somewhat similar to Commo's "CORF", was prepared and printed in quantity. Commo (POB) plans to forward these forms regularly with signal plans and ciphers to the Home Office.

November 28, 1952 - A conference re AFU's was held with numerous appropriate ZIPPER members. We called this conference to emphasize once again the necessity for tying in intelligence agents with the Sovzone radio operators and also the necessity for planning by the General Agencies for war time utilization of Sovzone agent assets. ZIPPER members pointed out that many "Lone Wolf" radio operators refused to be tied in on basis security danger.

December 1, 1952 - Commo Officer, POB, in memo to Chief POB, discussed status of ZIPPER's early warning radio agents. It was pointed out that active Sovzone operators contact the base on a QRX basis - that no opportunity existed for contact between QRX's unless special monitoring was laid on by order of ZIPPER. The memo also explained that if Chief POB and/or Chief ZIPPER desired that arrangements be made for daily observation of active agents, the required change could be made. It is a responsibility of "higher authority" to keep "Commo" advised on the type of communication desired with agents.

December 16, 1952 - Memo addressed to ZIPPER operations advising them that RS-6 equipment could be furnished at any time for up-voiced operations. This memo was necessitated by ZIPPER's Commo Staff who have been spreading the word around that operations are suffering through lack of agent equipment. It is true that ZIPPER's production of their new agent set has been delayed to a damaging extent, mainly by reason of slow supply of components from the Home Office. However, as stated above, RS-6 equipment can be procured in a limited quantity. Col. Hepp would like to have bulk quantities to issue conveniently to General Agencies. Until supply will permit this, he will continue to cry "short supply."

December 30, 1952 - Dispatch notified Home Office that new agent base radio station

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at Tutzing had been completed and that personnel had moved from previous Chiemsee location. Seven operating positions are installed; the number could be doubled if necessary. The new station serves also as a headquarters for the 136 organization, headed by the Chief, Mr. BOEDIGHEIMER.

December 1952 - A count of General Agency Commo Officers and Trainers, totals 23. If STORCH training personnel (radio) are added to this figure, we have a total of 36.

February 5, 1953 - Commo Officer POB sent a memo to Col. Hepp stressing necessity of re-training and re-equipping Sovzone agents using old equipment and old signal plans.

February 13, 1953 - A letter sent Home this date is quoted below:

"EGLA-2373

1. A rapid count of ZIPPER's radio agents produces interesting figures as follows:

30 STORCH operators fully trained.
13 STORCH operators fully trained except for final on the air graduating exercise.
19 Sovzone operators having regular contact with radio base.
9 Sovzone operators trained by ZIPPER Commo, ready for activation.

71 Total

2. Considering the additional operators in training, it is tempting to predict a total of 100 ZIPPER clandestine radio operators by July 1953. These operators are potential war time assets."

9. A reader of this history should also read EGLA-611 of 22 October. This described ZIPPER's Communication Organization in detail. It will not be quoted herein but the attachment to EGLA-611 is attached to this letter. This organization chart is self explanatory. Note the Commo Personnel total - 237 full time employees.

10. This portion of the history will be devoted to comments in general about ZIPPER's Communication Organization and programs.

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Quality of Personnel

ZIPPER has some excellent officers well qualified in the field of clandestine communications. ZIPPER also has inferior personnel. The Chief, Col. Hepp, is an excellent executive and administrator. He commands the respect of subordinates and has their loyalty. He is quite weak technically - De Bary, one of Hepp's immediate deputies who concentrates on clandestine communications, is an officer of top quality. His qualifications include experience in this same field during World War II. Mr. Boedigheimer and Mr. Rauch (deputy) Chief of 136, are well qualified. Boedigheimer is heartedly disliked by his staff who on the other hand are loyal to the deputy, Mr. Rauch. Nevertheless, Boedigheimer "runs" a pretty fair base radio station. Dr. Gessner, Chief of the Radio Laboratory, is an engineer of mediocre quality. He lacks imagination but is receptive to prodding by the Commo Officers of POB. His subordinates have no respect for him as an engineer but do admit that he administers the laboratory well. The previous Chief Engineer, Pietsch, who was "fired" by ZIPPER was a typical story book type "long haired" engineer, but was a very poor administrator. In fact, he was unable to administer his own wife and life. Regardless of his weaknesses he was a loss to ZIPPER. They are reluctant to admit this. ZIPPER was probably justified in releasing Pietsch as he was a continuous problem. At one time Pietsch was Chief Engineer of the transmitting tube department (design) of the German Telefunken firm. If liquor does not get him, he will probably be turning up to German industry at some time in the future.

Radio Laboratory

The laboratory was originally located in small house at Chiemsee. Pietsch headed the laboratory but was under constant "fire" from Mr. Boedigheimer, 136 Chief, also in the area at that time. Partly to break up this intolerable situation and primarily to provide the laboratory with adequate facilities to serve ZIPPER's rapidly expanding program, I was instrumental in moving the laboratory to 12a Nikolaus Compound. A building in the compound was rehabilitated prior to this move. The

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final result was quite satisfactory in the end. The laboratory, now headed by Dr. Gessner is well established and has made worthwhile contributions. The proximity to the POB commo office has been of benefit. The amount of effective control exercised by the Commo Office, POB, is surprising. Unfortunately this control has been necessary especially in connection with development and production of the new agent set discussed below.

ZIPPER Agent Sets.

The old "3WU" agent set is quite well known. It is definitely inferior. Pietsch was responsible for this design but excused himself by saying that the design was a result of components available at the time. 150 of these sets were assembled by the US Signal Corps in the USA and were modified by ZIPPER upon receipt here. The receiver was a simple regenerative type. The transmitter, a crystal oscillator, although described as 3 watt "put out" about 1-2 watts. Many ZIPPER agents still have this old equipment although every possible effort has been made to replace them.

The new "12 Watt" ZIPPER agent set has been designed and developed by Pietsch, Dr. Gessner and staff and the POB Commo Office. Our original optimistic hopes for rapid production of the set were completely unwarranted. Delayed Home Office procurement of the parts and crystals effectively delayed production by about one year. The resultant situation has been damaging. The fact that the RS-6's were also delayed has contributed to the unhealthy situation. As of this date, the non-receipt of Jones plugs has again stalled the production of the new ZIPPER sets.

"Outside Base Station"

Another subject deserves discussion in this history. At no time during the past three years (the present included) has ZIPPER had a suitable radio base outside Germany. We have all struggled with this problem. ZIPPER's unsuccessful efforts to establish a station in a neighboring country have been discussed at length in "Eyes Only" correspondence. In fact, token equipment for an emergency station does

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exist at the location. Housing for the headquarters and receiver station is also available. Three radio operators are on the ZIPPER payroll and make tent contacts with ZIPPER within West Germany. We are not satisfied with this inadequate arrangement outlined above and are currently attempting to negotiate for space and buildings in another nearby country for a ZIPPER base station. The necessity for the base can be fully understood when one considers that ZIPPER may have a total of 100 clandestine radio operators by 1 July 1953. If the ZIPPER recruitment and training continues at its present pace and if ways are found to combat present Soviet restrictions in Berlin, this number may increase rapidly in the next few years. ZIPPER operations, courier lines, etc. now focus on Berlin. Other border crossing points must be developed. The necessity for a base station provided through American efforts is predicted on the belief that we will continue working closely with ZIPPER and will claim, in a sense, joint ownership of their agents and/or will plan to use the ZIPPER organization in war time.

Signal Plans, Operating Procedures, Ciphers

In our struggles to improve ZIPPER's communication practices, we have been governed by the belief that minimum US standards must be met. Tremendous progress has been made in three years. The present ZIPPER Signal Plan is good. OTF cipher is gradually replacing other systems. Lt. Col. Roy, who has been deputy Commo Officer at POB, is well qualified by background in the crypto field. His devotion to the arduous time consuming task of working daily with ZIPPER Commo staffmembers on problems discussed above has resulted in greatly accelerated progress. As of this date, Lt. Col. Roy is attempting to put finishing touches on a report to the Home Office describing in detail presently approved Signal Plans, operating procedures and ciphers. Changes have occurred so frequently that a report is usually out-dated when finished. It has been assumed at Home and here that if war should suddenly start, American radio operators at an American base might be faced with the task of servicing ZIPPER agents. We are attempting to furnish the necessary written material to the Home Office to make it feasible.

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10. In conclusion, the writer of this brief history wishes to state that we appear to have reached a critical point in our relations with ZIRPER. The clandestine communication assets are large due mainly to our support. Can we keep these assets during the next few years, or will the creation of a sovereign Germany make this impossible? If we decide to keep these assets, it will be mandatory for well qualified US Comint Officers to continue the present close working relationship.

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ii.

- 1. Communications and Signal Intelligence
- 2. Facture Code and Cipher Developments

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Coating Code and Cipher Developments

1. On 22 March 1943 GHQ/INT informed Chief FOB as follows:

The German organization had completed construction of a cipher machine which provided an endless series of key sequences for the production of one-time pads. The machine was installed at that time in the organization's Bonn office (Forsmann) and was in operation, producing pads for the use of the German Federal Government.

2. This revelation was of considerable interest because of the nature of the machine itself, because the manufacture of cryptographic equipment in Germany was prohibited by the Allies, and because of a number of other factors which were looking into. Consequently, GHQ/INT's suggestion that Chief FOB and A13 communications experts visit the Bonn office to inspect the machine was accepted forthwith and action initiated to delve into the background of the development and construction of the machine. Over a period of time, the following clarification was made:

AKADEMIE Institute

a. The cipher machine was built at the Forsmann firm in the AKADEMIE Center of Germany, on specifications drawn up by the AKADEMIE Institute. The latter was described as a foundation incorporated in Fuerth, Niedersachsen, but was found to actually consist of a group of widely dispersed German scientists who were in correspondence with GHQ/INT. All members of AKADEMIE were former German Government personnel and cryptographic experts who could be considered to form the nucleus of a future German Government. In fact, during the course of a conversation with Chief FOB, GHQ/INT indicated that the assemblage included all notable German experts in the field, so that,

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It would not be possible to form a liaison except through utilization of the AEG-TELEFON Institute.

b. AEG-TELEFON personnel included the following persons. In addition to GRILLI: Alois RITTER, Stellungsrat; Dr. ERIC KURTZMANN, former Chief of Research U.S./G.M.; Dr. Werner KLEINWERTH, former Chief WA/Penta 7; Dr. Oskar Walther VIEGUNG, cipher expert, formerly under WA/Penta 7; Dr. ERNST HERTZAU; Hans Felix RICHTER. Noteworthy enough, all except RITTER and KLEINWERTH proved to be on the payroll of the German organization.

c. Basis for the machine's development was a Swiss patent, of which GRILLI was the licensee in Germany. German and American patents also had been applied for, the latter through the American Technological Development Corporation. Rudolf MUSCHINSKI, well known munitions dealer, held the US patent rights on the machine and was found to be serving as the financial man for AEG-TELEFON. (Although the plan apparently was dropped, GRILLI for a while indicated his desire to have MUSCHINSKI replaced by John MAX 2, as a man more suitable to handle the US end of dealing. I.e., he was acting with CIA and according to GRILLI calculations better able to ensure joint CIA/G.M. exploitation of this and other technical developments of the AEG-TELEFON Institute.)

d. Pending other arrangements, the AEG-TELEFON Institute was receiving financial support from "certain German friends living in Switzerland." By mid-1961, it would appear, these persons and the scientists involved were anxious to capitalize on their work and effort expended, for which reason GRILLI had opened conversations with Chief POM. The "commercial" character of all conversations and negotiations entered into was emphasized, moreover, because of the proscribed nature of their activity once it was removed from the pure research phase, and because of the presumed vulnerability of GRILLI and associates under terms of the German treason law. Among the

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German friends in Switzerland were Hans KIRCH and Ing. Eric DUMKE, the former the one-time military and armaments adviser to Chiang KAI SHEK and the latter a German armaments expert under postwar contract to the Egyptian government; both, in turn, were tied in with Rosen SCHULZINGER (qv).

6. The capital and management side of the AEGRISE Institute was revealed, in sum, to be identical with that involved in various munitions and armaments affairs in which the German organization had taken an interest, directly or peripherally, during the last few years. Such identification included not only HUGO KIRCH, KIRCH and others, but SCHULZINGER, the group of German scientists whose travel to Syria had been facilitated by the organization in 1940, etc. - in general, to persons and institutions to which REBERT had devoted a considerable amount of his time and which figured largely in the organization's somewhat dubious (i.e., in re their true nature and benefit to the German organization) Special Connections. In SCHULZINGER's calculations, the alpha reading was but one indicator, the "German/American/Swiss group" to which he made constant reference was alleged to have in the offing many other inventions that will be far more important to the German organization and to the AEG than the alpha reading.
7. Further background information and/or developments included the following:
 - a. The AEGRISE Institute agreed to supply the government with cryptographic equipment and to work as its adviser in all related matters, possibly AEGRISE establishment as the Waffenamt.
 - b. Although the manufacture of cryptographic equipment in Germany was prohibited, the protocol which gave Germany this right to establish representation abroad circumlocutively provided for the use of privileged

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communications systems and thus a secure cipher system.

c. ATELEKOM was in a position to provide the Foreign Office with units required for such a system; however, any such production, through a firm located in the American Zone of Germany, was subject to agreement between the German Chancellor's office and the American Ambassador to Germany.

Inasmuch as licensing was required through the Military Security Board.

d. By making its cipher material available to the German Foreign Office prior to any American knowledge of ATELEKOM, its activities or cipher machine, the allied regulations on this score were circumvented. Moreover, at a somewhat later date, ATELEKOM utilized the same procedure and informed NSA on a fait accompli basis that the Ministry of the Interior also was being provided with one-time pads. All of these maneuvers constituted and were to the government which were successfully executed.

e. As a further fascinating facet, it should be noted that ATELEKOM was incorporated but was fictitious in the sense of being a laboratory or manufacturing concern; it took on more reality as a highly qualified group of mathematicians and physicists under the SWISS name. All except two members being on the organization payroll, it would appear to be incontestable that AEG funds contributed largely to their work, despite contentions that support had come from German friends in Switzerland.

The next step following revelation of the group's existence, however, was the sale of the group's product to the US.

f. As the result of the inspection visit made to the Penn office of the German organization (by Chief PAW, James H. CARPENTER, the FBI Special Counterintelligence officer, [REDACTED] and the CIA COMINT Coordinator, Allen HOLLOWAY, in the company of OETLEKOM, Dr. HUTTERHAHN and the German communications chief, Leo NEPP), CIA voiced definite interest in the cipher machine and its

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possible purchase. Thereafter, developments on this score were approximately as follows:

- a. Following inspection of the machine (i.e., demonstration and general explanation) on 25 May 1951, material for technical analysis was requested, following receipt of which CIA promised to advise as to whether any interest existed.
- b. Continuing conversations were held between Chief POF and GRILLI and in June 1951 GRILLI suggested the timeliness of his acceptance of the CIA invitation, previously tendered, to visit the US. Negotiations regarding the cipher machine and other patent questions figured largely in his thinking and it was his intention to discuss certain of these matters with JOHN DOCH in the US.
- c. On 21 September 1951, two days before GRILLI's scheduled arrival in the US, AFSA (Armed Forces Security Agency, now the National Security Board) Washington informed the CIA Washington desk of the arrival in Washington of Hans Felix RICHTER, as representative of the AEGRIUM Institute, who indicated interest in bringing certain recent developments in the cryptographic field to the attention of the proper US authorities, with a view to making them available to the US in exchange for financial support for AEGRIUM. In his discussions with AFSA, RICHTER advised on the development of the cipher machine, and proposed that the US buy its details and principles with the right to specify that other countries would be given the chance to make similar purchases; have the first option to buy other cryptographic equipment developed in the future by the same group; and be aided by AEGRIUM experts sent to the US from Germany to help build copies of the equipment.
- d. As a result of these discussions, AFSA warned CIA that the technical competence of this group was not to be underestimated and urged that every

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effort to make to keep abreast of developments made in this field by
this particular group.

d. At NSA/CIA agreement then was reached that CIA would represent the US
Government in all negotiations with ATTENBERG, particularly as ATTENBERG
the ATTENBERG representative, was a member of the Fullach headquarters staff.
Chief PDB so informed the Germans, so that all was tied together again
and it was agreed that two specialists would be sent to Germany from the
US to inspect the machine from a technical standpoint.

e. The inspection of the machine took place on 7 December 1962 at which
time the figure of 1M 300,000 was tentatively set as the holding price for
the equipment in question. A deadline of 31 January 1963 then was estab-
lished, as the date for decision on one of four alternatives: CIA interest
in interest in patents and licenses on a world wide basis; interest
in patents and licenses for the Americans; no interest of any sort; no
interest in licenses but interest in the purchase of individual machines.
f. Later, a 30-day extension of the deadline was requested (and granted)
for purposes of ironing out certain legal questions. By this time CIA
interest was well established, funds had been approved and details of the
offer which the US would make were being worked out.

h. On 22 February 1963 final approval was cabled to PDB, authorizing
ATTENBERG to initiate negotiations, under the following terms:

1) Purchase of one machine for 1M 60,000, to be built with the
working assistance of and in the presence of, two US technicians
to be in perfect running order when delivered; etc. Additional
machines to be purchasable by CIA, if desired, at the same cost as
the first and/or duplicated in the US upon payment of royalties to
be agreed upon. Beginning the first day of the month following

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delivery of the machine, CIA to pay a subsidy of \$1,000 per month for a minimum of one year, to defray costs of further research and development of cryptographic devices, on which the US would have first purchase option (except for proviso pertaining to the Bonn government).

1. This offer, which proved to be unacceptable, was then countered with the proposal that CIA purchase a minimum of five cipher machines at DM 60,000 each, with the right to buy additional machines at the same price and pay a royalty of 20 percent on any machines built in the US. The subsidy of \$1,000 per month was considered to be very nearly insubstantial, at best insufficient to warrant the grant of legal option on further developments.
2. CIA found itself unable to agree to purchase five machines, inasmuch as one only was required for purposes of experimentation and determination of its usefulness. The offer to purchase one, or to accept two if the subsidy were eliminated, was then made, with payment of a top royalty of 18 percent on US-made machines and the contingency that CIA would receive the personal assurances of GÖTTSCHE and ALTMANN保证 that they would keep CIA informed on all further research and developments of other cryptographic devices.
3. The final German proposal was for the supply of one or two machines at DM 180,000 each, with assurances to be given by the US that no copies would be made without Amt für Geheimdienste concurrence and the proviso that additional machines would be obtained by CIA from an American firm, such as General Electric, with whom CIA would intercede to bring about purchase of the rights for US manufacture or manufacture on a licensed basis, from Amt für Geheimdienste.
4. US decision to buy one machine at DM 180,000, the equivalent to

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participate in its construction; construction and delivery to be in Germany; US to assure AEGI that their patent rights would be protected in the US; etc.

b. This offer was basically satisfactory to the Germans and was accepted. All negotiations were considered to have been concluded, in the form of a Gentleman's Agreement. The machine was completed on 1 March 1953, its inspection completed by Washington experts by late April, and the initial transfer of funds completed as of early June 1953.

c. Subsequent negotiations with the American Institute have been conducted relative to other inventions in development stages and will be continued in the interests of keeping abreast of the situation. Currently, interest is focused on improvements to be made in a low-level machine cipher system and on problems encountered in the production of on-line teletype cipher units for the use of the German government and the organization itself.

d. Mention perhaps should be made of the role played by Hans Földi RICHTER, known to the SOB staff as Johnny RICHTER and to the German staff as "Uncle Johnny." Not one of the most popular German staff members with the SOB side, RICHTER's comings and goings have always been looked at somewhat sideways, especially prior to his visit to Washington in the fall of 1951. As of this date, it became possible to identify his exact function; that of faithful long man who has never produced a word of intelligence but who has proved his knowledgability in the field of technical communications and who has served SOBIS by keeping the organization's technical special connections in hand.

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ii.

ii. Psychological Warfare and Other Cold War Activities

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TO GERMANY ONLY**Psychological Warfare and Other Cold War Activities

1. At the request of OGI, exploratory discussions with the German staff were undertaken by FOB in 1949, to determine German capabilities in the field of psychological warfare and other Cold War activities - thereby marking the beginning of German planning in this field within a mutually understood frame of reference.

2. Between 1945 and 1949 no program of psychological warfare (initially considered), as such, was in effect although two scholarly groups were employed in the preparation of studies on scientific and other problems of Eastern Europe; both groups were considered to be of probable interest to the CIA office (OPC, now PP) which was responsible for the conduct of Cold War Activities but for financial reasons and because they were considered to be extraneous to the chief mission of the German project itself were severed from the organization in 1949. Later, for security reasons neither group was continued or contacted by OGI and as projects they lapsed or were dissolved. The two groups, which in orientation and research capacities were later largely reconstructed, were as follows:

a. Professor Group. Established in 1949, the so-called Professor Group consisted of eleven German scientists and specialists on Russia and Eastern Europe. Their assigned task was the preparation of studies within the scope of their expertise on problems of Eastern Europe, which were submitted to and for the guidance of, the headquarters staff at Oberursel (later Fuerbach). Prior to dissolution of the group in late 1949, more than fifty comprehensive reports had been completed, an exhaustive bibliography had been compiled on post-1945 publications pertinent to Eastern European problems, and some 50,000 clippings had been organized for reference use.

b. Institut fuer Ostforschung. Similarly, the establishment of a number of Russian experts at the University of Marburg, as the Institut fuer Ostforschung and working in conjunction with certain consultants at the University of Heidelberg,

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was undertaken by one of the German field agencies in the late fall of 1946. As a project, its intended purpose was to maintain an active watch over developments in certain scientific fields and to report on the activities of European scholars within these fields; it was prepared, however, to go into any desired question. Work which got under way in late 1948 on a project basis subsequently was put on a fee basis and the organization paid for those reports which were completed as commissioned.

3. The first result of FBI-instigated German exploratory work in the field was a report (April 1950), largely written by members of the Evaluation staff, which ostensibly covered ideological points of weakness in the communist philosophy, elements of resistance within the Soviet orbit susceptible of exploitation on these points, and potentialities of the German organization for reaching such dissident or resistance groups. It proved to be little more than a point of departure for discussion, however, out of which came clarification for the German staff of its approach to the problem of psychological warfare, resistance, subversives, propaganda, etc.; discussions to determine possible areas of accommodation between German and US activities; general recognition of the need for an addendum upon charter from the German government delineating future German activities in the field; and the initiation of basic German planning on a long range basis. In terms of chronology, perhaps the most significant events were the establishment of a German planning staff (early 1952); presentation to the Germans by [redacted] of a plan for joint operations in the field of propaganda and psychological warfare (April 1952); 103 presentation to the Germans of a proposed policy, for planning purposes pertinent to the conduct of future operations (June 1952); and the submission by the Germans of their blueprint for an organization and program of activities in the Cold War field (December 1952).

German Approach

a. The initial study prepared by the German staff was followed by establishment of a German planning staff or "braintrust" for the development of working concepts

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and tools, it being understood that the concept of Cold War activities against the East differed in scope and emphasis from the old Abwehr II-type of activity and required new approaches. A handful of men, deemed by POG to be highly qualified and singularly impressive as a group, were designated for the work and adopted the position that the successful accomplishment of their task presupposed an understanding of the Soviets; they identified their first requirement to be a program of research and the development of background data in usable form, supported by the establishment of connection to acknowledged experts in all pertinent walks of life whose knowledge and resources might be drawn on for the furtherance of the work. Archives were established in the working quarters of the "braintrust"; located outside the Nikolaus Compound, which has come to represent the end product of a program of systematic compilation of information by the monitoring of East Zone and Soviet radio broadcasts, the clipping and carding of Sovzone and Soviet newspapers and periodicals, the recording of important speeches, debates and issues on various Eastern emigre groups, the sampling of the attitudes of refugees on various subjects, etc. In addition, since July 1952, the work specifically has included that aimed at the "registration", survey and check of all activist organizations aiming at or carrying on psychological warfare activities in the Soviet Zone of Germany. Carried on as research or planning activity only, the group's examination thus covers the entire field, has been slow in the consideration of specific targets or development of plans for operations (see sections below), and includes the close observation of the activities of other organizations, including those sponsored by the US.

b. Basic and methodical in the extreme, the German approach has included the premise that nothing of any real consequence has been attempted or accomplished in the Cold War field. Without themselves having engaged in any actual operations, the Germans have been close and critical observers of American efforts

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and for reasons touched on below may be considered to have been biding their time until such time as they can develop their own program and methods. The extent of their knowledge of certain American supported projects and their attitude toward such projects became known in the spring of 1953, when a paper of major proportions was submitted on this subject. Its perusal indicated that it had been written with considerable care and that undoubtedly it was based on a great deal of information on file in the German offices.

OPC/German Coordination

c. Without attempting to go into the extent or substance of the OPC program, it would appear to be pertinent to note that OPC discovered at an early date that many of its West German activities, particularly recruitment, cut across lines of the German organization and that the extent of the organization's Soviet-zone intelligence collection apparatus raised the question of the desirability of enlisting German aid for OPC plans/operations. Consequently, and because OPC activities increasingly were "coming to the attention" of the German staff, attempts were made to reach some sort of mutual understanding, through consultations between OPC officials and the POC staff, meetings between [redacted] and GERMEN and the German "braintrust" and POC/German meetings on a routine basis.

d. In April 1952, [redacted] arrived at Pullach for conferences and at this time advanced ideas (drafted in Washington, for which he acted as spokesman) for the conduct of joint operations. These were based on the premise that German and American interests in the field, both in scope and definition, would be found to be at variance in some areas but that a joint program could be worked out following identification of common areas of interest and the exclusion of areas of disagreement or differing interest. This presupposed revelation in broad outline of American plans in the field, on the supposition that sooner or later

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the Germans would be able to identify exactly what constituted US interests and activities anyway. The suggestion was eagerly endorsed by the Germans, who professed desire to integrate all German work with the overall program being conducted from the West and to receive policy guidance (and full information on American activities) from CIA. Conversely, the American staff also was to be entitled to full particulars on German developments.

e. Lack of development of joint operations may be attributed perhaps to many factors, including problems stemming from the non-attributability principle on which OFC operated; German observations of American activities which caused the Germans to doubt the efficacy of certain American operations and procedures; lack of a German government referent which might have sorted out lines and areas of responsibility regarding activities in East and West Germany, etc. However, a more important reason would appear to be that the time is not yet ripe; in the absence of a clear cut delineation of what American activities in the Cold War field will be following establishment of a German Intelligence Service and lack of an active charter from the government on the German side, no program could develop. When the German planning staff was requested to draw up a statement of German ideas on how joint operations might be conducted, out of West Germany against mutually accepted targets, the Germans made the counter-suggestion that the US side present its ideas first - and there the matter rests.

Government Charter

f. The question of the recognition of the OEHLEN organization by the West German government, seemingly an imminent possibility in 1951, led CIA to query authorities in Bonn (fall of 1951, June 1952) on government intentions for the conduct of a Cold War program, with specific regard to the future SIS. This was particularly pertinent, inasmuch as discussions with OEHLEN had revealed his disinclination to participate in any clandestine program wherein Cold War and

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intelligence collection activities did not come under the direction of a single centralized intelligence authority, while OPC discussions with Bonn officials had led to the drafting of a paper by certain government officials (including persons opposed to GEHLEN) which seemed to disassociate Cold War and intelligence collection work. In answer to queries, Dr. Hans GLOECKE of the Chancellor's office delineated the German organization's Cold War mission as follows: a planning program having as its aim the "decomposition of the spiritual, mental, intellectual and psychological strength of Bolshevism in the Soviet Zone of Germany," and specifically excluding sabotage, resistance and para-military activities. Thereafter, considerable confusion existed as to whether GLOECKE was in fact the government point of reference for Cold War activities - a confusion which was not finally dispelled until the summer of 1952 when Chancellor ADENAUER made a distinction between overt and covert Cold War activities and designated GLOECKE as the Chancellery official responsible for all questions on the clandestine side. This lent strength of the statement previously issued by GLOECKE and impetus to work by the German staff within the designated limits, which GEHLEN had fully accepted.

g. The authorization from Bonn led to requests for doubled funds (which were granted) with which to come up with detailed operational and target planning. The "braintrust" then drafted a plan for future operations (December 1952; see Attachment 2), based on the premise that the entire covert psychological warfare mission would be assigned to the GIS and specifically to the "braintrust", and that active operations could be started following assignment of the mission of GIS to the organization. The plan is generalized and contains little detailed operational planning but may be taken as a rough blueprint of intended future work.

Peripheral Activities

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4. During the four years of CIA trusteeship of the German organization, certain activities marginal in nature to the main German intelligence mission have been identifiable as a "protective, peripheral II-effort." One such type has related to military questions and has stemmed from the importance ascribed by GEHLEN to the organization's status as a center for former German Army officers, with effort directed toward maintaining some kind of cohesion among them and the exertion of some influence over them until a German military establishment should come into being. In this connection, in the fall of 1949, the German staff was found to be publishing a sheet for the benefit of, and distributed free of charge to, former German military personalities, analyzing such controversial questions as the Nuremberg trials - a service which was effectively stopped at the time of discovery, as a service which CIA did not necessarily wish to support. This was a one-time shot. A second effort has been carried on on a fairly continuous basis, has pertained more to the political scene and also has been designed to exert influence in West German circles, including military, by providing a perhaps otherwise lacking orientation regarding communism and Eastern questions.

5. This second effort, which has been called the German organization's private West German propaganda program, consists in the main of publication of a monthly Orientierung which, with staff studies written by the "braintrust" attached, is distributed to something like 300 customers in West Germany, copies being given to all top Special Connections, important sitting members of the Federal government and select members of the EDC interim committee in Paris, as well as to organization personnel. Orientierung is written by the head of the "braintrust," former German General of the Infantry Hermann FOERTSCH who, in fact, edited this publication prior to actually joining the German staff. At that time, he was considered to be a Very Important Special Connection whose Orientierung was utilized for the indoctrination of staff personnel. Of no particular intelligence interest, the Orientierung

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purpose simply is to indoctrinate its readers with an awareness of communist philosophy and propaganda tenets. It is an effort beamed toward the West but based on researches on the East. Previously, an intelligence round-up also circulated to a wide group of customers but this has been terminated.

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III.

F. Special Connections

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Special Connections

1. The so-called "Special Connections" work of the German organization from the beginning easily has constituted its most controversial segment. Prior to determination of what was involved, there was a considerable amount of speculation that the work of the SC staff might merely veil "politico-economic machinations" which were determining the future shape and power of the "bohomoth" that was the German organization - that enough cover investments and connections were being built to ensure continuation of the work in the event of withdrawal of American oil and that if necessary the organization would be able to utilize its connections in a form of blackmail to get its own way in the future Germany. For reasons of dispelling, or giving substance to, much vague apprehension, accordingly, a full-time case officer was assigned to delve into the matter of Special Connections in the spring of 1950.
2. By the end of the summer of 1950, considerable insight had been gained and the aims and purposes of the work had been rather fully clarified. At that time, the IOB case officer concerned summarized the Special Connections work for Washington as follows:

a. The Special Connections work is "an intensive program of making friends and influencing people in every sector of German life where persons may be found who are now or may in the future be useful. The Special Connections reach into the Government, the political parties, the former officer corps, former R.P.D.R. and C.I., the diplomatic corps, the legal and medical professions, the press, foreign intelligence, the industrialists, the aristocracy, the intellectuals, the Land Police, etc., and all this in addition to the German Army C.I., General Staff and Abwehr elements of which (the German organization) itself is composed."

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b. "Generally speaking, a Special Connection is a person outside the organization proper, who has more or less close personal connections to some higher ranking (staff member), who is acquainted with the general character and purpose of the organization including its American sponsorship, who is known or assumed to be sympathetically disposed toward it, and who enjoys a position or station in life which renders him worthy of special cultivation. With few exceptions, Special Connections are never seen at Pullach and do not know the identity of organization personnel beyond that of GEHLEN and the sponsoring German staff member. None of them are paid agents in the strictest sense of the term but most of them receive favors (passports, travel permits, legal assistance, etc.) and some of them receive money, usually in the form of expense accounts or payments for boondoggling." As the SC recruitment process is continuous, no listing of their names would ever be complete.

c. Meetings are usually held at one of the organization's two operational houses in Munich, in the company of the Connection himself, the particular staff member who maintains contact and sometimes GEHLEN or the head of the Special Connections staff. GEHLEN is usually on hand for Very Important Special Connections.

3. With determination of the above, the SC work came to be looked on (by CIA) as a form of insurance activity, natural in terms of GIG aspirations and useful as a means of producing calculated results- it being clear that the organization was dispensing influence and information rather than the reverse. As a strictly managed and highly disciplined way of life for the GEHLEN group in the postwar German climate, the Special Connections work was seen to be necessary as long as the organization had not been legalized, with the object of steering the direction of the organization's relations with the German government, the occupation powers and certain other

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powerful elements in West Germany. In so doing, it ensured the organization's survival politically, by making possible, *inter alia*, the avoidance of political squabbles which might have proved disastrous.

4. The organization constantly has been charged by its opponents in West Germany with the same accusation as noted earlier in a different connection - that of being a potential behemoth, since the presence of widespread contacts reporting to OEHLEN was an inescapable conclusion although the extent and identification of such contacts could only be surmised. There can be little doubt that activities conducted under the Special Connections program generated a good deal of ill-will in certain circles, which perhaps justifiably concluded that OEHLEN was indulging in political meddling. Had OEHLEN devoted more effort to the improvement of the qualities of the organization as an intelligence producing unit and less to political angling, the political problems of the organization conceivably might have been less. Be that as it may, the organization has survived politically and with the establishment of officially recognized liaison with various government offices and levels - previously the province of the SC staff - presumably opposition should be minimized.

5. Within the German organization itself, however, there exist two schools of thought - one which holds that it is now time to phase out the Special Connections work, giving full recognition to such matters as the pitfalls inherent in having working level connections to a ministry or other office of the government with which official liaison also has been established; a second believes that the SC work should continue on the basis established and that the maintenance of covert connections as desired should be continued. At this point, it cannot be said which school of thought will prevail or that all high level connections would ever be discontinued in toto. In certain instances, certainly, Special Connections are required or useful, as in cases wherein disposal aid is needed and could be facilitated by SC means.

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In other instances, particularly wherein aid and support is provided to certain military personalities of past prominence, the value is as doubtful as in the past but severance of connection also is a doubtful prospect. POB staff position has been (fall 1953) to finally sever all American/German liaison in re Special Connection activities, except to accept any information which the German staff chooses to submit, and to make known the American position in opposition to continuing SC work without, however, any strong directives on the subject, which might not be heeded anyway.

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II.

F. Special Connections

1. ~~Notable RECENT RELATIONSHIP Cases~~

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Roman SCHELLENBERG

1. The case of Roman SCHELLENBERG, [REDACTED], has been extensively summarized and analyzed from time to time by Washington desk officers as well as by Pullach and Frankfurt case officers concerned. For purposes of gaining a detailed insight into its ramifications, therefore, it is recommended that reference be made to such summaries, notably MGKH-9458, MGKH-127017, MGRW-14945 and MGRW-15642. For purposes of the present historical survey, however, the following is a brief synopsis of SCHELLENBERG's association with and interest to both CIA and the German organization.
2. Roman SCHELLENBERG, engineer, documented in CIA files as having been born in Odessa, Russia, on 25 September 1894 of German parentage but known to be presently claiming birth in Westphalia, first came to AIB (OSS) attention in July 1945. At that time, he apparently was interested in working for either the Americans or the [REDACTED], offered OSS his services in locating "certain high ranking German staff officers" who might be assembled for continued intelligence activities against the Soviet Union, and also offered information on industrial and technical matters. As a former Rheinmetall-Borsig weapons expert who had collaborated with the Abwehr both before and during the war, he presumably was qualified to make good on both offers and, it is believed, with regard to his first offer must have been attempting in his own way to further the GEHLEN-BAUN plan for post-war activities for the Americans. Both offers were declined, however, for lack of interest at the time in the technical field in which he had knowledge and, presumably, because OSS was in no position to take up his other offer or did not find it interesting.
3. SCHELLENBERG's association with BAUN, GEHLEN or other members of the German organization probably was continuous from the end of the war. References are made to him in certain BAUN correspondence and when in September 1948, BAUN was authorized to establish an export-import firm for cover purposes, it was clearly understood that SCHELLENBERG would serve as the firm's manager, and would participate with

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BAUN in the activation of economic ties for the organization. The cover firm TETEX G.m.b.H. was set up in March 1949 and SCHELLENBERG took up residence in the premises rented for the company in Munich. Subsequent removal of BAUN for financial irregularities, including those involving TETEX, and dissolution of the BAUM unit of which TETEX formed a part did not affect SCHELLENBERG and, in fact, left him as the "heir apparent" to the company. TETEX thereafter was utilized by him for activities best known to himself and to CHILLEN, with whom subsequent contacts with the organization were maintained.

4. The American element at Fullech took little or no interest in SCHELLENBERG until approximately May 1950. At this time, the POB staff received a request to facilitate the travel of SCHELLENBERG and wife to Paris to attend an economic conference and upon probing into his background, learned

- a. That in May 1949, the 7821 Composite Group had provided similar travel aid to SCHELLENBERG and wife, upon receipt of data identifying him as "a very important special agent of this organization", a weapons expert whose assigned task was to take up economic connections productive of information on illegal East-West trade.
- b. That in May 1950, his identification had become that of a "Special Connection in close touch with the organization from its beginning", now providing information of an economic nature gratis in exchange for travel documents, and carried on the Special Connections list as the recipient of monthly gifts items.
- c. That his mission to [REDACTED] was to serve as technical advisor to a group connected with the [REDACTED] government and to official [REDACTED] agencies, both concerned with an arms aid program.
- d. That the results of routine telephone and telegraph intercept coverage placed on BAUN, SCHELLENBERG and TETEX in January 1950, as a precautionary measure to determine whether BAUN was engaging in further intelligence activities of any

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sort, were unproductive insofar as BAUH was concerned but unexpectedly provided indication of interesting activities being carried on by SCHILLENBERG under cover of the TETEX firms: i.e., far flung and increasingly extensive and complex commercial and munitions contacts, apparent involvement of numerous persons employed or formerly employed by the German organization, handling of correspondence and business negotiations on a clandestine basis, etc.

5. That BAUH refused to divulge any information on SCHILLENBERG or his activities or to state what specific information SCHILLENBERG had ever provided to the organization, and in general made it clear that insight into this segment was being withheld obviously and deliberately from the American staff.

Moreover, it was remembered that in 1948-1949 at the behest of the organization, the American staff at Pullach had facilitated the travel to [redacted] of a group of German technicians whose know-how was desired in the interests of [redacted] rearmentment program. Although the organization had denied any intelligence interest in any of these technicians, it was noted that many of them were former Rheinmetall-Borsig colleagues of SCHILLENBERG whose names were cropping up in the intercepts of his foreign correspondence.

5. Decision accordingly was made for POB also to take a special interest in SCHILLENBERG and his activities, unknown to the German staff, until the substantive nature of his interests was more fully known, the extent of organization involvement pegged, and the intelligence potential of the situation clarified. Travel facilities were granted as requested, provision was made for close scrutiny of all information bearing on SCHILLENBERG and associates, and the case assumed the status of a CI case, with the assigned cryptonym [redacted].

6. A year's work on this basis produced fascinating but inconclusive results and the realization that POB personnel facilities were inadequate to give the voluminous intercept material the processing, study and analysis which it required. The subject of SCHILLENBERG's connections and interests were still a matter of speculation, but

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it had become clear that they had little or nothing to do with the acquisition of intelligence, per se, on East-West arms traffic. The indications were that his main concern specifically was with the reconstruction of German industry and the resumption of manufacture of munitions by German interests, with undiminished interest being shown GEHLEN in both.

7. This much having been ascertained, the case then was put on a different basis and assumed different proportions as the result of positive action, default, and fortuitous circumstances.

a. Pressure of other work having forced the POB/CB staff to drop active interest in the case, intercept material was merely forwarded to Washington for processing after October 1951. There processing also was handled on a time availability basis but coordination was achieved with other elements of CIA having a legitimate interest in the case (area desks within OD, the office of Scientific Intelligence, Technical Support, etc.). All handling was in line with the POB/OSO opinion at this time that the SCHELLENBERG Case, as a clandestine activity of a foreign power which could be covered only by an intelligence effort, should be dovetailed with other interests of CIA to which it was properly related (German rearment, etc.), and closely followed.

b. In June 1951, Chief POB took issue with GEHLEN on the subject of continued financial payments of an unexplained nature to SCHELLENBERG and was informed merely that the latter had emerged as the head of a munitions brokerage firm in [REDACTED]. GEHLEN offered to arrange a discussion of the whole matter in Munich between SCHELLENBERG and the appropriate American case officer and actually did so in December 1951. However, the meeting was inconclusive except as an opportunity for assessment of the personality and apparent motivation of the man and as the basis of projected future meetings, and because of other developments which further removed the case from POB handling.

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5. In February 1952, an agent of a Frankfurt case officer who formerly had been associated with SCHELLENBERG in Rheinmetall-Borsig urgently requested a meeting with his case officer in Zrossa, Switzerland, for an unstated purpose. At the meeting on 2 February, Roman SCHELLENBERG and two others were present, and in the course of detailed discussions SCHELLENBERG provided information on research-gramment projects and on his dealings with the French, South Americans, the West German government and the German organization at Pullach. He then offered several technical projects, the services of certain former Rheinmetall-Borsig specialists then working in Spain, and indicated a strong desire to interest official US backing for the no longer necessarily clandestine, work. With this development, POB was finally removed from concern with the [REDACTED] Case, although intercept service was continued and the take forwarded to Washington through the fall of 1952. Developments of the case after this time were never reported in detail to POB or taken to be the concern of POB except insofar as specific involvement of individuals associated with the German organization continued to be indicated.

6. During the period of active POB concern with this case, emphasis was placed on identification of SCHELLENBERG's activities in all ramifications, as related to vital long range US intelligence interests. Of equal importance were attempts to relate SCHELLENBERG's interests to those of the German organization, for which CIA was responsible. The first was a clandestine effort (i.e., unknown to the German organization) which was initiated at POB but removed in intermediate stages from POB jurisdiction for reasons stated above; the second was also a clandestine effort, best undertaken at and by POB, but never productive of conclusive results prior to removal of the case. A summary of such conclusions as have been possible to date include the following:

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- a. Unquestioned GEHLEN interest in and support to SCHELLENBERG, whose status was and is that of a Special Connection reporting directly and only to GEHLEN.
- b. Benefits to GEHLEN or the organization from ties to SCHELLENBERG and as return on payments made to him unknown, questionable and unproductive of intelligence reports.
- c. Efforts to obtain clarification or information from GEHLEN, as the probable cold source within the organization, negatively received at all times despite his offer to put SCHELLENBERG in touch with a POB case officer.
- d. Undiminished GEHLEN interest in SCHELLENBERG's activities following developments which have placed SCHELLENBERG in direct contact with CIA case officers to whom he has given full information on his work and interests.
- e. Efforts to obtain enlightenment from SCHELLENBERG on GEHLEN's single indicated distrust of GEHLEN and his motives on the part of SCHELLENBERG, statement that despite acceptance of monthly stipend SCHELLENBERG has provided GEHLEN with a general outline only of his activities, and the information that GEHLEN had desired to control contacts (i.e., time and circumstances to be determined by himself) between SCHELLENBERG and any American elements.

While it is possible that developments in the case have removed CIA from the picture, as unnecessary in the role of middleman between SCHELLENBERG and official US military agencies having proper interest in his offers, it is here noted that the GEHLEN-SCHELLENBERG tie remains somewhat obscure and that clarification is still desired by POB.

- 9. The entire case assumes importance as it is seen to fit neatly into the whole pattern of GEHLEN's activity in the armament field and as SCHELLENBERG is viewed as possibly the most important link between GEHLEN and the complex of armament and munitions people with whom he maintains contact. An incurable gadgeteer and technical doodler himself, GEHLEN has shown a marked tendency during the years of American

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association with him to become deeply involved with the international munitions circles, which have amounted, basically, to two groups: the SCHLEIBERG complex and a German/Swiss complex. The second group, possibly inseparable from SCHLEIBERG, has included Rudolf RUSCHEWER and his bitter enemy, Emil BUEHLER, both munitions dealers; Hans KLEIN, former CHIANG KAI SHEK military and armaments advisor now living in Switzerland; Colonel GEIST, presumed future head of the German Waffenamt, and his circle; the German armament group in Egypt, notably including Ing. Erich DINNE, etc. GEILEN has maintained an active liaison with these people and each year, on an average of 10 to 15 trips at a minimum, has held conversations with each on almost every trip. Although closer to RUSCHEWER, he has managed to keep contact with both sides of the fledgling Swiss munitions complex, while in Germany the closeness of his ties may be seen from the fact that he was in close contact with and had Colonel GEIST at his beck and call long before GEIST became the armament expert in the Blank office in Bonn. Whether GEILEN has invested or made any money and whether he has actually exerted much influence on [redacted] circles is hard to say. However, it is believed by FOB that he has had a definite influence on relations between German government/[redacted] armaments dealers. All facets are part of the fascinating story of GEILEN's postwar interests and activities.

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II.

6. Emergency Evacuation, Stay-Behind Program and
War Planning

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2. Relationship of the German Organization to the
West German Militarization Issue

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ii.

**J. Relationship of the German Organization to the AIS,
the SPD and the Federal Republic Government - a
Chronological Record**

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Relationship of the German Organization to the NS, the SPD and the Federal Republic Government. Chronological Record

Note: Prepared by James H. Critchfield, Chief, FOB

1 July 1949

GEHLEN organization taken out of Black Market.

26 August 1949

Kantlerant in formative stage; GEHLEN in touch with Dr. PAULS, ADENAUER's secretary. At the same time developing contact with ministry personnel. KHARI and HOMBURGER in Bavaria. All assured support.

6 September 1949 WASH-9467

Wash view we assume responsibility only for GEHLEN's intelligence activities, not political activities. Acknowledged need for GEHLEN reach working terms with future German government.

22 September 1949 KCL-A-432

Policy statement to GEHLEN on negotiations with Third Parties.

24 September 1949

GEHLEN advised us ADENAUER not briefed on organization; intended "multiple approach."

20 October 1949 KARL 6554

Karlsruhe ordered moratorium on GEHLEN's approach to Federal Republic.

25 October 1949 KUL-209

GEHLEN desire earliest action permit him inform ADENAUER organization and obtain his unofficial approval.

26 October 1949 KARL 6608

GEHLEN future organization; considers presenting organization as Western European contribution with [redacted] and [redacted] agreement. (At this time ADENAUER had not had first meetings with SCHUMAN).

October-November 1949

GEHLEN continued enlarge circle of contacts in Bavaria and Federal Republic (von HERWARTH, Wm. LEX, Herman PUNKER, etc.).

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October-December 1949

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Continuous efforts A13 that GEHLLEN curtail liaison activities to emerging Bonn government. Period of strife and misunderstanding. Conflict in views.

January 1950

Trusteeship relationship finally defined.

9 March 1950

MOL-A-1583

GEHLLEN, in strong terms, cites reasons which makes the speedy establishment of closer ties between the Organization and the German government imperative.

1 June 1950

MOL-A-19450

Karlsruhe informs Pullach we preparing brief McCLOY.

August 1950

HEUSINGER, SPEIDER, increasingly active remilitarisation affairs; opposing SCHWERIN influence.

27 August 1950

MOL-A-3274

GEHLLEN recommends US demarche to ADENAUER on GIG issue; define outline of GIG; recognize separate mission of US.

1 September 1950

Decision Base Chief's conference instruct GEHLLEN to concentrate on direct approach to BÖHNE.

20 September 1950

FULL-1085

GEHLLEN has appointment see ADENAUER and DILOIRE 20 Sept; GEHLLEN and REÜGENDER will see SCHUMACHER 21 Sept.

28 September 1950

GEHLLEN saw HERTZMANN, GLOSKA.

17 October 1950

FULL-1204

GEHLLEN 50 minute meeting with ADENAUER.

September-October 1950

Beginning period of strife between GEHLLEN Organization and the HEINZ group in SCHWERIN office.

27 October 1950

KARLA-0129

Washington much disturbed about "additional evidence mounting impression that GEHLLEN not trustworthy and not behaving honestly."

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11 October 1950 4911-A-2491

(a) Relationship with government not satisfactorily established.
(b) GERMANY-AMERICAN 20 June 1950 agreement to be implemented.
(c) GERMANY to brief ADMAUER regularly.

INTERVIEW statement to GLODKE:

(a) US aim establishment strong and single GIC
(b) No subordination to Western Military Command.
(c) No exclusion [redacted] and [redacted] sponsored German Intelligence figures.
(d) Authorize passing info to ADMAUER if [redacted] and [redacted] also receiving.

November-December 1950

HEINZINGER and SPERLER called to Bonn in advisory capacity. GLODKE moved into US. GLODKE saw ADMAUER 11 December. After meeting ADMAUER, according to SPERLER, advised he had reached decision except GLODKE organization no GIC; asked GLODKE consider problem integrating USINT office. GLODKE had first talks with SPERLER. Von LEX arranged (SPERLER) JUIN meeting. REICHENBERG letter to REICHENBERG denouncing GLODKE Organization.

20-22 December 1950 4911-A-501

GLODKE's most bitter attack on AD: management relations with his organization.

2 January 1951 4911-A-51

Washington reaction to GLODKE's sharp attack on AD: policy regarding his organization's relations with Bonn; AD: "interference" internal matters his organization.

8 February 1951

GLODKE advised GLODKE of arrangement for delivery of reports; request Federal Republic approval to give same reports to REICHENBERG who he has not seen for some time. (One other meeting). GLODKE advises AD: to stamp objections on position vis-a-vis GLODKE and REICHENBERG.

10 February 1951 4911-A-5299

Review of our coalition vis-a-vis GLODKE and the Federal Republic. My own answer to the main - side of complaint against GLODKE.

5 March 1951 4911-A-5627

GLODKE delayed; further GLODKE-SPERLER dealings. GLODKE says SPERLER GLODKE especially considers him too "writer". GLODKE reported relationship with REICHENBERG - good order.

13 March 1951

REICHENBERG saw ADMAUER; further discussion GIC problem with GLODKE. I and G discuss close cooperation with Americans.

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22 March 1951

Considered plan putting O'NEILLEN and small group into FED RRP --
-- "piece meal solution."

March 1951

Washington still pondering O'NEILLEN's future; disagree any piece meal
solution.

18 April 1951

HEUERICH reports SCHUMACHER has disturbing reports of O'NEILLEN organization.

7 May 1951

GLOECKE given VIP briefing Nullach; gave Americans assurance they held
O'NEILLEN group high regard.

17 May 1951

FULL-2140

MCCLOY re assure O'NEILLEN intent ADENAUER take over; O'NEILLEN recommends "picce-
meal" solution to us — himself as ADENAUER Ist adviser.

17 May 1951

KARL-2177

MCCLOY briefed ADENAUER regarding O'NEILLEN Organization. BLANKENSTEIN present
during conversation. MCCLOY found ADENAUER well informed.

17 May 1951

FULL-2178

Noting O'NEILLEN-VG relationship has reached point where volume of information
being exchanged with full blessing Federal Republic authorities.

26 May 1951

FULL-2194

ADENAUER, following McCLOY talk, advised GLOECKE have discussion with O'NEILLEN.
O'NEILLEN present for an approval outline plan he prepared submit to ADENAUER;
this involves the "Intelligence Adviser" concept.

29 May 1951

FULL-2212

O'NEILLEN avoiding definite moves with ADENAUER until SCHUMACHER support insured.

1 June 1951

FULL-2223

Rejection "piece-meal" solution; renders government vulnerable political
attack. GLOECKE designated take over negotiation with AIS. 1-1/2 hour talk
with ADENAUER.

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3 June 1951

Otto HEINZ visited Pullach. Confirmed FULL-2223. Instructed GEHLEN prepare draft plan for G.I.C.

21 June 1951

He saw SCHUMACHER; 3-1/2 hour discussion with emphasis GEHLEN organization. SCHUMACHER had adverse reports from HEINZ - - - - political make-up, penetration of government, etc. H. reply:

- (a) Personally underwrote GEHLEN as life-long acquaintance.
- (b) 60% former officers; few in young age group.
- (c) Very few R.A. & R.D.
- (d) S. should have talk with GEHLEN and send G.I.C. representative to Pullach.

12 July 1951

FULL-2405

GEHLEN, HEINZ and SPRINZL spent evening with SCHUMACHER, ALTMAYER and Carlo SCHMITT. GEHLEN reported in detail on charges by HEINZ; invited SCHUMACHER and ALTMAYER to Pullach.

16 July 1951

1401-A-7320

HEINZ goes on record with A.I.C. against guerrilla-type resistance efforts.

9 August 1951

FULL-A-7730

First meeting with GLOBKE by A.I.C. confirmed trusteeship relationship; discussed future transfer of organization to Federal Republic.

22 August 1951

FULL-4212

A.I.C. discussed GEHLEN organization with SCHUMACHER who satisfied its efforts, agree transfer to Federal Republic when decision on formation of German military contribution settled; agreed it must conduct CE work but indicated he had warned GEHLEN re politics and internal affairs. Under present leadership, both German and U.S. would not be threat to democratic order.

17 September 1951

FULL-A-8341

GEHLEN and HEINZ briefed at Pullach.

2 November 1951

1401-A-9234

GEHLEN submitted proposal for G.I.C. to Federal Republic. US willing finance transition period. Organization running into psychological, legal and administrative problems.

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21 November 1951 FULL-3929

Considers timing factors. Ratification of Treaty latest date. ADENAUER anxious process.

13 December 1951 FULL-3023

11 December OLOFKE/GEHLEN discussion PP activities; agreed must come under OIS. GEHLEN feels strongly that CIS and Federal Republic participation PP and PM activities must be limited clandestine propaganda type subversion and that even we should be cagey about plans and training for resistance activities since for psychological reasons Federal Republic touchy about anything which would give impression Germans to be used for cover our withdrawal.

20 December 1951 HOL-4-7814

GEHLEN Christmas address to his staff and the American staff on future CIS-OIS relations.

January 1952 2 January German Panel Minutes

German view (both Federal Republic and GEHLEN) that PM type activities should be in NATO i.e. part of EDP problem.

8 January 1952 FULL-3116

GEHLEN convinced relations with FED REP developing according to plan. GUNZEN and GBAU (adm. team) from Kanzleramt to begin investigation GEHLEN organization 1/ January. LENZ continuing annoyance element. LENZ center of opposition in government. SPD relationship continues satisfactory; SPD support not based exclusively on MACHAHER; GEHLEN considers OLLENHAUER a genuine supporter. GEHLEN proposes negotiation secret ALB-GIS agreement. Relationship with Finance and Interior ministries in good shape. ADENAUER has briefed HAFNER on OIS probable budget requirements for FY 1953.

20 January 1952 FRAN-0192

OLOFKE advised WINKER of BLANK Office that a secret agreement had already been made with GEHLEN at request of ADENAUER; that further discussions this matter not necessary. Also told WINKER that LENZ had no role in matters; that WINKER should stop dealing with LENZ on these matters. Opposition elements BLANK office plan join forces with Leander OIS opposition elements. Anti-GEHLEN article Der Deutsche Weg (appeared November 1951) came from editor of NW Catholic Youth who received from WINKER.

21 January 1952 Memo Gen. TRUSCOTT TO Mr. McCLOY

(1) Reviewed favorable developments since May 1951 when McCLOY took up GEHLEN organization with ADENAUER.

(2) Reviewed developments with [REDACTED].

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(3) Briefed McCloy on existence friction with the FRG over GCHQ; minimized seriousness in view size and professional competence of GCHQ organization.

(4) Requested McCLOY by telephone for [redacted] approach by 471.

25 January 1952 FORM 017

- (1) GLOPERE advises intention present overall CIS problem to ADENAUER for decisions on duties and functions.
- (2) CISG and GCHQ favorably impressed by 311/312 organizations.
- (3) GLOPERE states Federal Republic Finance Minister advised of ADENAUER decision.
- (4) GLOPERE unaware need for Federal Republic intelligence advisor.

26 January 1952 FULI-1187

(1) REINHOLD visits Fullach; will not take part in CIS question until FRG officially advised 311/312 decision re CIS/ISI/MI. H. recommends 311/312 suggest ADENAUER that 311/312 visit Fullach.

20 February 1952 (Memo not Forwarded)

REINHOLD proposal for decentralization CIS forwarded to LBNZ.

28 February 1952 FULI-3317

- (1) GLOPERE has briefed 311/312 on ADENAUER plan for GCHQ organization.
- (2) REINHOLD states 311/312 has no plans for collection agency.
- (3) GCHQ working closely with Federal Republic in CIS negotiations.

11 March 1952 FORM 092

GLOPERE advises H. of ADENAUER final and definite decision take over GCHQ organization intact.

14 March 1952 WBI-1-1082

By meeting with STADLER and GLOPERE in Bonn.

(a) GLOPERE reported final CIS decision; CIS under Konigswarter; take-over as soon as CIS ratified; 311/312 to head CIS; intelligence committee of all major parties to ensure "all-partisan intelligence policy"; separation of VS and CIS missions; CIS to have exclusive authority over MI.

17 March 1952 LONDON DAILY EXPRESS

Further REINHOLD story.

18 March 1952 English Press, NEW YORK

Generally anti-GCHQ organizations.

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24 April 1952 PULL-3534

OEHLLEN again visits SPD; SCHUMACHER and HEINE briefed; relationship SPD considered satisfactory.

May 1952

Throughout May and June, CLARKE visited every major office and field agency of the OEHLLEN organization being briefed in detail.

7 May 1952 PULL-3534 (Cont'd)

- (1) Spells out close relationship of GIC problem to EDP development.
- (2) Spells out US staff Pullach views basic future AIS-GIC relationship.
- (3) Report SPD briefing by OEHLLEN and WIRLAND.

2 June 1952 MOT-A-11801

CLARKE presents ADENAUER a paper for use in briefing Ministers.
(Disposition this paper not established).

9 June 1952 MOT-A-11886

CLARKE visits Pullach. Further assurances on OPHIR/Federal Republic relationship. Some discussion of technical JS questions. CLARKE repeated his views that GIC should not be in active type II activities; should have PP mission only in areas where overt means not possible.

13 August 1952 PULL 3943

BLANK visited Pullach 11 August for briefing by OEHLLEN. BLANK/OEHLLEN relations improved.

September 1952 MOT-A-286

Opening discussions with OEHLLEN on future AIS/GIC relationship.

27 October 1952 PULL-4277

Influence of EDJ affair on relationship of OEHLLEN organization with Federal Republic seen as adverse complicating circumstances.

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AIS POSITION ON GEHLEN/BONN RELATIONSHIP

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1 July 1949 - 1 October 1949

GEHLEN observing emergence FED REP; developing loose contacts no approach ADENAUER.

October 1949

AIS/GEHLEN views come into open conflict. GEHLEN pressing for free hand developing position vis-a-vis Bonn; AIS opposing, labelling effort premature; inadequately coordinated, etc.

AIS policy re future CIS not clear at this time; speculating on possibility putting GEHLEN organization into W. Defense.

October - December 1949

GEHLEN enlarges circle contacts in Bonn; no direct approach ADENAUER.

March 1950

GEHLEN makes formal demand for lifting AIS ban on his approaching Bonn for approval.

June 1950

AIS prepares brief McCLOY re GEHLEN Org. GEHLEN/GLOBKE 29 June agreement on Bonn interim support of GEHLEN.

June - September 1950

SCHWERIN vs HEINRICH/SPREIDER. split in remilitarization development produces complicating factor whole CIS problem. GEHLEN firmly allied with latter faction; HEINRICH group allied with SCHWERIN, who [redacted] backed - also period of adjustment with US.

August 1950

GEHLEN recommended US demarche on CIS and remilitarization issue; rejected by AIS.

1 September 1950

GEHLEN given green light for direct approach with BONN.

September 1950

GEHLEN in contact with GLOBKE, HEINRICH and others in Bonn.

October 1950

GEHLEN meet ADENAUER with GLOBKE.

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September - October 1950

Increasing strife with GOETTER/HEINZ faction. The "poisoned pen" era.

October - December 1950

GEHLLEN advised AIC decision support centralized, national CIS. GEHLLEN authorized pass reports to ADENAUER. HEURICH/REINHOLD in; SCHUMANN out as military advisor to ADENAUER.

ADENAUER advises GEHLLEN of decision accept his organization as nucleus CIS. OPHUHN has first talks with BLANK. Von LEEZ arranges GEHLELOTTO joint meeting; beginning period cooperation.

FOLWERTH denounces GEHLLEN organization in letter to BLANKENSTEIN.

GEHLLEN's leadership and political abilities under attack within AIC.

January 1951

GEHLLEN charging AIC with duplicity and meddling internal GEHLLEN organization affairs. AIC rejects his position; increases activities designed increase AIC control of GEHLLEN organization.

January - March 1951

GEHLLEN continues strengthen position with STEWART and GLOEKE.

The "piece meal" on "intelligence adviser" concept examined; rejected by ADENAUER as politically dangerous.

March - June 1951

GLOEKE and LEEZ briefed at Pullach by GEHLLEN. GLOEKE clearly identified as man with AIC to deal on GEHLLEN organization problem. This LEEZ's one venture into GEHLLEN-STEWART-ADENAUER channel.

Final rejection of "piece meal" solution.

July 1951

GEHLLEN goes on record with AIC opposing PI activities.

August 1951

STEWART/GLOEKE discussions Red Gastein. Confirmed "trustee" relationship; problems related eventual transfer.

September - November 1951

██████████ briefed at Pullach. GEHLLEN submits CIS proposal to ADENAUER. Agreement tie-in transfer with confirmation.

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December 1951

GRILLEN tells GLODKE view that PP activities belong in CIS. GRILLEN
Christmas address to German and US staffs.

January 1952

Gen. TRUSCOTT Ltr. to MCLOY on status GRILLEN organization.
GLODKE's intention ask ADENAUER define functions and duties in CIS and
VG fields.

January - July 1952

Preparatory measures for eventual transfer proceeding according to plan.
GLODKE and assistants inspect all elements GRILLEN organization. Detailed
reports rendered by GRILLEN to Kanzleramt.
Results investigation favorable.

Opposition by HEINZ and others continue; some agitation for decentralized US.
ADENAUER and GLODKE delay briefing BLANK GLP plans until February.

GLODKE advises CIS of ADENAUER's final and definite decision take GRILLEN
organization as CIS.

Appearance whole series of new stories against GRILLEN organization. In
each case when author identified either [redacted] or communist sponsorship
involved.

July - October 1952

BLANK finally visits Fullach at ADENAUER's request. GRILLEN feels BLANK no
longer serious opposition element.

GRILLEN organization takes first step in PP and PM field by establishing
group to study problems.

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RELATIONSHIP WITH THE SPD
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From the beginning of the AIS relationship with GEHLEN he has maintained the position that a "bi-partisan intelligence policy" (i.e., ADENAUER coalition and SPD opposition) was necessary.

In 1948-1949 efforts to gain SPD contacts and support were evident.

GEHLEN, accompanied by HEISINGER, saw SCHUMACHER 21 September 1950. By this time HEISINGER not yet active military advisor to ADENAUER.

5 March 1951

GEHLEN reports relationship SPD in good order.

18 April 1951

HEISINGER reports SCHUMACHER has disturbing reports regarding GEHLEN.

29 May 1951

GEHLEN avoiding definite moves with ADENAUER until relationship with SPD again in order.

21 June 1951

HEISINGER saw SCHUMACHER; 3-1/2 hour discussion with emphasis on GEHLEN organization. SCHUMACHER had unfavorable reports from HEINZ on political makeup of GEHLEN organization, its activities in Bonn, penetrations of government, etc. HEISINGER personally endorsed GEHLEN and gave assurances on other points but urged SCHUMACHER give GEHLEN himself opportunity to answer charges.

12 July 1951

GEHLEN, HEISINGER and SPEIDEL evening with SCHUMACHER, Carlo SCHMIDT and OLENAUER; GEHLEN's detailed refutation of HEINZ charges; SCHUMACHER and OLENAUER invited Pullach.

22 August 1951

SCHUMACHER advised AIS representative he satisfied re GEHLEN organization; that he would support it as AIS after remilitarization issue settled; that he had warned GEHLEN on meddling internal politics; that, under present US and German leadership, organization won't be threat to democratic order.

17 September 1951

OLENAUER and HEINE briefed at PULLACH by GEHLEN.

8 January 1952

GEHLEN reports SPD relationship satisfactory; SPD support not based solely on person SCHUMACHER; OLENAUER considered by GEHLEN a genuine supporter.

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7 May 1952

GEHLEN briefed SCHUMACHER on current intelligence, feels SPD relationship still satisfactory — no change.

17 October 1952

GEHLEN estimates EDJ affair has damaged position all AI-sponsored German intelligence efforts with SPD. In Bavaria HORGNER appears upset; has during past year become increasingly pro-ZIPPEN. GEHLEN now considering inviting HORGNER Pullach briefing. GEHLEN intends visit OLLERHAUER near future.

COMMENTS:

At the Laender level SPD has sometimes opposed GEHLEN Organization. This particularly true of British Zone Laender VG offices.

Certain individuals of SPD such as Paul SCHMIDT of Hesse, VG, various members NRW VG and HEINE are distrusted individually by GEHLEN.

GEHLEN's relationship with the SPD has not come easily. He feels quite strongly that the Labor government experiment in the UK, if repeated in the Federal Republic, would be disastrous. He also feels [redacted] have used elements SPD as channel, at times, to work against his organization.

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MEMORANDUM FOR MR. CRITCHFIELD

1. ZIPPER's relationship to AIG.
2. ZIPPER's relationship to the German federal government
3. ZIPPER's relationship to the social democratic opposition.
1. a. Historical development:

Already at the end of World War II, OEHLEN had set himself the task of continuing the fight against Bolshevism in the intelligence field.

In this connection it was clear to OEHLEN that as a partner for such work the USA must receive primary consideration.

After a nucleus for a German organization had been formed beginning in August 1945 with the help of far-sighted American officers, GEILLEN concluded in the summer of 1946 a Gentleman's Agreement with General SIBERT, then O-2, USFRT. The basis of this agreement was: the building up of a purely German, intelligence collecting and evaluating organization, run by German directors who closely cooperate with American representatives and receive technical and material support from them. On the part of the Germans, the reservation was made that upon the creation of a new German government the continuation of operations would be made dependent upon its consent.

After a three-year partnership with the U.S. Army, CIA assumed this partnership on the first of July 1949. The joint work up to that time was continued without changes in the German frame of mind but with increased emphasis on operational cooperation.

Already in the winter of 1949-1950 there were the first discussions between GEILLEN and Mr. CRITCHFIELD concerning the future of the organization. The transfer of the organization to the German government at the restoration of its sovereignty as the nucleus of the future German Intelligence Service was accepted in principle.

On 11 October 1950, Mr. STEWART confirmed that the responsible agencies of the U.S.A. had clearly decided that at the politically suitable moment, the organization should be at the disposal of the German government as the nucleus for a German Intelligence Service.

The entire further cooperation between the staffs of Mr. CRITCHFIELD and General GEILLEN was in the light of this motto.

- b. Present relationship to AIG:

Reference is made to OEHLEN's letter to General BRODELL SMITH.

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2. a. Historical development (important data):

Fall 1949: GEHLEN establishes first contact with a representative of the newly formed German federal government. State Secretary Ritter von LEX (Ministry of the Interior) is informed that GEHLEN has built up a German intelligence organization which is under American trusteeship and which is supposed to be placed at the disposal of the German federal government at the right time in agreement with the American trustees. Ritter von LEX promises support.

15 Nov 1949: GEHLEN informs Minister of Interior HEINMANN, Ministerial Councillor BLANKENHORN (Federal Chancellor's Office) and Vice-chancellor BLUMCHER in a similar manner as Ritter von LEX. Although GEHLEN's briefing is for information only, the three show a positive reaction and express the view that foreseeable difficulties on the part of the German Chancellor are not to be expected.

Approx Jan 50: Instructions from the American party not to establish or cultivate contact with the Federal Chancellor or the Federal Government.

Spring 1950: Contact to Ministerialdirigent Dr. GLOEKE (Chancellor's Office) is established in order to ensure briefing of the Chancellor.

29 June 1950: GEHLEN has a discussion with Dr. GLOEKE, promoted in the meantime to the rank of Ministerial Director. Purpose of the meeting is to give Dr. GLOEKE, as the Chancellor's representative, a new, thorough review of the history, origin, mission and structure of the organization—at the time still under U.S.A. trusteeship and available to the German government as soon as in the course of the widening of sovereignty German government activity in the intelligence field is approved. Further, in agreement with the American party, the request for technical assistance for the organization from the German government is made to Dr. GLOEKE already at that time. This technical assistance concerns those sectors in which such assistance becomes necessary because of the transfer of authority from the occupation agencies to the German government. The result of the meeting is definitely a positive one.

20 Sept 1950: GEHLEN briefs the Federal Chancellor Dr. ADENAUER for the first time. Later periodic briefings at greater intervals.

13 Dec 1950: GEHLEN has his first talk with the Chief of the VS, Dr. JOHN, through the intervention of Ritter von LEX.

13 March 1951: GEHLEN has a longer discussion with the Federal Chancellor. The fundamental questions are being discussed, similar to the conversation with Dr. GLOEKE on 29 June 1950 and receives a positive answer.

5 April 1951: GEHLEN discusses basic questions with Herrn BLANK.

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7 May 1951: Ministerial director Dr. GLOPKO visits the compound.

Later: Dr. GLOPKO visits the regional and other field offices of the organization.

16 Jun 1952: First visit of Dr. GUMBEL and Dr. GRAU of the Federal Chancellor's Office to the compound.

19-20 July 52: Second visit of Dr. GUMBEL and Dr. GRAU of the Federal Chancellor's Office to the compound.

11 August 52: Herr BLANK visits the compound.

End of Aug 52: Written attachments for the proposed structure and personnel table-of-organisation of the organization as the German IS are submitted to the Federal Chancellor's Office.

b. Current relationship to the Federal Government:

Between GEHLLEN and the German Federal Government there exists full agreement that the organization as a whole be placed under the jurisdiction of the German Federal Government as soon as possible. The decision concerning the future of the organization in particular matters is up to the German Federal Government. These decisions will be governed by the constitutional decrees and laws of the German Federal Government.

Even now, GEHLLEN feels solely responsible to the Federal Chancellor as head of the German government as far as the direction of the organization is concerned.

GEHLLEN does not know in particular which members of the German Federal Government or which ministerial agencies—not mentioned so far—the Federal Chancellor or his representatives has briefed concerning the organization and the German government's intentions about the organization.

Contact to the various ministeries which are supposed to provide the organization with technical assistance are being established by the Federal Chancellor's representative, Ministerial Director, Dr. GLOPKO, from one case to another.

3. a. Historical development:

21 Sept 1951: GEHLLEN visits Dr. SCHUMACHER for the first time. The latter declares himself in agreement with the aims of the organization.

Following period: Several visits to SCHUMACHER by GEHLLEN take place; during these GEHLLEN also provides SCHUMACHER with situation reports.

17 Sept 1951: OLIENHAUER and HEINE visit the organization compound.

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b. Present relationship to the Social Democratic Opposition

GÜNTHER has not talked to Dr. SCHUMACHER's successor, OLENNHAUER, after the former's death. There is, however, no occasion for the assumption that OLENNHAUER entertains a negative attitude towards the organization contrary to Dr. SCHUMACHER's views.

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II.

K. [REDACTED] Program: US Tours by Leading Staff
Members of the German Organization

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Program: US Tours by Leading German Staff Personnel

1. The summer of 1950 saw conception of a plan to invite certain key German staff personnel to be the guests of CIA on all-expense visits to the United States, for purposes of orientation and insight into the American scene and in recognition of demonstrated performance and cooperative effort of a high caliber. The trips came about when Washington approved a German Mission recommendation that persons of potential intelligence importance to CIA be issued such invitations; when Chief FOB promptly suggested that certain top level members of the German project fell within this category and might profitably be included in any such program, Washington concurred and authorized planning preliminary to bringing both selected professional German intelligence officers and certain General Staff personalities to the US. There thus was launched a project which the Germans enthusiastically endorsed.

2. Planning accordingly went forward, on the following basis:

- a. Selection of a dozen or so top level Germans for whom a trip to the US would be of mutual benefit to CIA and to the Germans concerned;
- b. Objective to be to give the Germans a broad picture of the US in its geographic, social, economic and governmental aspects, on the clear understanding that the invitation primarily amounted to an opportunity to see the United States and only secondarily to have some contact with CIA Washington; consideration to be given to the individual interests of the various Germans, i.e., tailor-made trips insofar as possible, but general emphasis to be placed for calculated reasons on maximum travel and a strenuous trip into the hinterland rather than concentrated dosages of sightseeing in the metropolitan areas of the East coast;
- c. Trips to be handled in such a way as to coincide with the home leave plans of FOB staff personnel, in order to render the whole project more effective and to reduce personnel demands on Washington;
- d. Tours to be conducted in groups of three or four Germans selected according

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to common professional interests, personal relationships, language qualifications and relationship to escorting PCB staff members;

e. Quid pro quo to be completion of PRQs for each candidate, necessary for purposes of travel papers, cover stories, headquarters clearances and any necessary legal waivers;

f. Maximum period to be 21 days for the trip of any one group;

g. Customary financial procedures to be followed, with CIA paying for travel, hotel, and meal expenses, plus per diem or the grant of a flat sum of pocket money;

h. Due care to be given to the possibility of adverse public reaction in the event the US or German press picked up the facts of the trips; Germans told to regard the visits as confidential and to avoid publicity in Germany; within the US, cover stories to be used only in the event of incidental contact with a curious press or public; processing through Health and Customs inspection at ports of entry and departure to be unobtrusively expedited by the Security Division.

3. Given the opportunity to be the first to accept our invitation, and thus to visit the US with an initial group in the early summer of 1951, GEHLEN waived the prestige factor but indicated desire to be included at a later date, more convenient to him. Four trips then were organised and carried out: one trip in June 1951; two somewhat overlapping trips in September 1951; a trip by GEHLEN and one of his deputies, partially coordinated with the second of the September trips; and a fourth trip which was delayed until late October 1952. Favored persons were section chiefs or top deputies (four per trip), using cover stories varying with individual or trip requirements, following itineraries worked out with escorting American officers and arranged in detail by the Washington Desk, and treated to fairly standard official entertaining and Pentagon briefings in Washington. All trips were completed without

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mishap, publicity or hitch, and were generally conceded to have been highly successful.

(Detailed statement is not being made here, as reports of the escorting officers on all aspects of the various trips are on file. Appended are brief summaries of the essential facts, however, giving the identities of members of the various groups, their escorts, itineraries, cover, etc., and statement of overall expenses.)

44. Official Washington entertainment for all German guests originally was designed to provide minimum satisfaction to desires for contact with CIA staff officers, supplemented by as impressive as possible a show provided through the courtesy of ranking Army intelligence officers at the Pentagon. As things worked out, the initial visit was long on the Army side of the program and official CIA entertainment more or less restricted to the tendering of a courtesy dinner; subsequently arriving groups, however, received progressively more extensive contacts with CIA officers, who conducted substantive briefing sessions, supplemented by the Pentagon program. From the German point of view, those visits undoubtedly were the most rewarding (i.e., successful) which deviated most from original intentions, which had been announced to them, of not providing insight or contacts with CIA Washington. Decision for the shift toward intelligence indoctrination appears to have been made in Washington and will not be here discussed; however, it is believed to be pertinent to present in rough outline the form which both the military and intelligence briefings took, as follows:

Pentagon Program

a. Pentagon programs for all groups included a relatively high level welcome by Army officials in the impressive atmosphere of Pentagon briefing rooms; lunch and a period of informal discussion; briefing sessions on such topics as Soviet troop strength and disposition, etc., conducted by G-2 officers generally cognizant of the product and activities of the GEHLEN project and who invariably expressed appreciation of the German effort; and World War II Naval films of

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interest to army and/or intelligence officers. This may be regarded as having been the standard treatment accorded all groups without exception and a procedure which was well received by the Germans.

CIA Program

b. Members of Group I were entertained at an official dinner, which was attended by the following Washington representatives of CIA, in addition to POC staff escorts: Major General W. G. WYMAN, Richard HELMS, [] and Donald HUEFNER. There were no briefings or additional contacts with CIA staff members.

c. Groups II and III, combined, were tendered an official dinner, which was attended by POC officers and the following Washington staff representatives: Lyman KIRKPATRICK, Richard HELMS, Frank WISNER and Donald HUEFNER. GEHLEN and HERRE also attended this dinner. In addition, high level briefings for the combined German groups were held at CIA's Central Building, which included a discussion by Frank WISNER of policy problems faced by CIA; a discussion by Sherman KENT on the complexities of the National Estimates function; and a discussion by () on fabrication and the importance of CE checking of agents and contacts.

d. Group IV was hosted at an official dinner by Allan DULLES; other guests included POC representatives, Frank WISNER, Richard HELMS, [] [] and Donald HUEFNER. This group had the most extensive contacts with CIA Washington, as follows: an interview by von MELLENTHIN with General Walter BEDEL SMITH, which was noteworthy for General SMITH's revelation to the Germans of his intention to reduce the overall size of the German Mission, his assurances of AIC's intention to deal with the Germans in the future on the same liaison basis as with our other sovereign countries; and his repeated use of the CIA cryptonym for the German project (ZIPPER); a conference by von MELLENTHIN and WENDLAND

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with Frank WISNER, largely on questions of liaison and intra-governmental relations; a general conference with Colonel Matthew BAIRD of the Personnel and Training Division relative to organizing a career program in a centralized national intelligence service; a lecture by [REDACTED], Deputy for Administration and Management, on CIA overall administrative management procedures; a lecture by [REDACTED] on international communism in Germany; a lecture by [REDACTED] of the Finance Division on budgetary and fiscal questions; a specialized seminar for Anton HALTER with CE and stay-behind officers on stay-behind operations; etc.

5. As of the summer of 1951 and GERLEN's trip to the US, his own stock with CIA was at a fairly low ebb, for a number of reasons which will be touched upon elsewhere; at the same time, the chances of the German organization's emergence as the GIS were correspondingly high, so that despite official reservations about him personally, the decision had to be to give him unequivocal treatment during the course of his trip. It was known that GERLEN himself would gauge the success of his visit by the number of important persons he met in Washington and that he had frequently expressed a desire to shake hands with General Walter BEDFORD SMITH; unknown factors included presumed intentions of GERLEN for getting in touch with certain old friends such as Eric WALDMAN, Eric WARBURG, John BOKER, etc.; and his interest in a German/American/ [REDACTED] group which controlled certain patent rights (see sections on Postwar Code and Cipher Developments; Roman SCHENLEMBERG; etc.). Efforts accordingly were made to control any moves of GERLEN while in the US which might be regarded as extracurricular, to see that he obtained the desired introduction to General SMITH (monitored by Chief FOB as escorting officer) and if possible to obtain some measure of his other interests in the US. The opportunity also was afforded for Chief FOB to spend an extended period of time with GERLEN and thereby to assess his attitudes and philosophical and other reactions, etc. - all of which will be dealt with in the

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section of this report having to do with GEHLEN the Man.

(It is an interesting sidelight to note that during the course of GEHLEN's interview with General SMITH, the latter mentioned Dr. Wilhelm OXENIUS, only German General to sign the surrender at Rheims, as a man of great integrity and honor, and asked GEHLEN to locate him and determine whether he needed support. As a result, OXENIUS not only was located but became a member of the German organization headquarters staff. Subsequently, in a chat with Chief POB, OXENIUS provided previously unknown information on General SMITH's association with the GEHLEN project, as follows: at the time John BOKER first discussed the project with General E. L. SIBERT, G-2, 12th Army Group, in 1945, General SMITH, then G-2 SHAEF, was fully informed of the discussions and later made his personal plane available for the transfer of the GEHLEN group to the US. OXENIUS relates that a small flap occurred when the plane stopped briefly in the Azores, as the Air Force had quite a reception organized in the belief that General SMITH was on the plane. Considerable explanation then was necessary when the General's plane was found to contain only Captain BOKER and a group of Germans.)

6. No overall assessment of the benefits accruing to the AIS as a result of the expenditure of time and effort in entertaining the German contingents has ever been attempted, except in terms of immediate observations following individual trips. It can hardly be doubted that certain of the Germans were impressed in the fashion in which they were supposed to have been impressed and that they were deeply appreciative of all that was done to entertain them. However, results are not really calculable over and beyond such statement, since long range and intangible factors are involved.

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Group I

1. Period: 23 June - 17 July 1951.

2. German Group:

August WINTER	Deputy to GEHLEN for intelligence matters
Siegfried GRABER	Deputy, Tactical OB Collection Group
Diets von dem KNESEBECK	Deputy, Satellite and USSR Collection Group
Joachim von SEIDLITZ-KURZBACH	Deputy, Evaluation Group

3. Escorting POP Staff Members: [REDACTED], Peer DA SIVA.

4. Itinerary:

New York, Washington, West Point, Boston, Chicago, Denver, Salt Lake City, San Francisco, Los Angeles, Albuquerque, Dallas, New Orleans, Miami, Washington, New York.

5. Leave: German experts involved in research projects for US Occupation Forces.

Group II

1. Period: 9 September - 27 September 1951.

2. German Group:

Konrad KUEHLEIN	Chief, Tactical OB Collection Group
Walter SCHEK	Chief, Satellite and USSR Collection Group
Kurt KOHLER	Chief, CI/CE Group
Karl-Otto von CZERNICKI	Deputy, CI/CE Group

3. Escorting POP Staff Members: [REDACTED].

4. Itinerary:

New York, Boston, Detroit, Chicago, San Francisco, St. Louis, Washington, New York

5. Leave: German businessmen.

Group III

1. Period: 22 September - 9 October 1951.

2. German Group:

Gerhard WESSEL	Chief, Evaluation Group
Leo SAAL	Chief, Documentation Section
Leo HIEPP	Chief, Communications

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Roman HOENLIGER

Leader, General Agency "C"

3. Escorting POB Staff Members: [REDACTED]

4. Itinerary: New York, Washington, Chicago, Seattle, San Francisco, New York.

5. Cover: German businessmen.

Travelling with Group III:

Reinhard GEHLEN
Heinz Danko HERRE

Chief, German organization
Deputy to August WINTER; trouble shooter for GEHLEN

Escorting officer:

James CRITCHFIELD

Chief, POB

Cover:

GEHLEN: Representative of German business group interested in the development of German and foreign patents and furthering the exchange of technical information between US and foreign firms.

HERRE: Plaster expert representing German gypsum firm.

Group IV

1. Period: 26 October - 18 November 1952.

2. German Group:

Horst. von MELLINTHIN
Werner STARK
Horst. WENDLAND
Anton HALTER

Deputy to GEHLEN; Chief of Special Connections
Chief, Finance
Chief, Administration
Chief, Special Missions

3. Escorting POB Staff Members: [REDACTED]

4. Itinerary:

New York, New Orleans, Dallas, Santa Fe, Taos, Albuquerque, Los Angeles, San Francisco, Salt Lake City, Detroit, Chicago, Washington, New York, Went Point, New York.

5. Cover: German agricultural experts travelling in the US as tourists.

Remarks:

Allowance for the interplay of varying personalities and their interests (both the Germans and their guides) brought flexibility to the program and made possible on-the-spot determination of sightseeing procedures: the emphasis of de-emphasis to be given to the acquisition of local color at Minsky's or wherever; the merits of certain of the finer American wining and dining establishments and hostleries; the offerings of art galleries, museums, music halls, etc.; university life and standards; scenic beauties; factory areas and industrial development; governmental procedures;

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monuments and institutions; etc. Satisfaction of individual or group desires brought greater harmony and net gains to the program in terms of aims, and in addition provided rather fascinating insight into the personalities, preferences, inclinations, receptivity and reactions of the guest tourists. It was interesting to note that members of Group I to a certain extent took their cues from former General Staff officer General WINTER, who rather marshalled the sightseeing forces; that Group II was the most professionally and personally congenial group, with a lively interest in all aspects of their trip; that Group III contained persons with a fairly wide disparity of interests, as well as noticeable individual disinclination to request deviation from any plans made for them, that Group IV perhaps showed the greatest interest in intelligence contacts in Washington; etc.

Statement of Total Expenses:

Source of funds: 1951 surplus allocation, amounting to \$43,900.

	<u>Paid by Washington</u>	<u>Paid by POB</u>	<u>Total</u>
Group I	\$ 7,090.55	\$ 3,261.99	\$10,352.54
Group II	4,841.23	3,266.40	8,107.63
Group III	4,205.12	3,270.40	7,475.52
Group IV	5,594.48	3,761.40	9,355.88
Washington expenses	309.63	-----	309.63
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Total	\$ 22,041.01	\$ 13,560.19	\$35,601.20

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11.

**I. Character, Personality and Professional
Assessment of Reinhard ONTDEK**

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N. Hornbeam Suite

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Hermann BAUW

1. The figure of Hermann BAUW and his position of leadership in the German organization can best be described as having been controversial. On the one hand, his extensive knowledge based on twenty years of experience in German intelligence operations against Russia and the credit which he deserved for his efforts in reassembling former Abwehr personnel for continued work were never disputed; on the other hand, a certain fanaticism and mental bents deemed by OTHELLEN to be "typically Russian," an exaggerated singleness of interest in and devotion to the development of an exclusively German service untainted by outside influence or controls, and an inability to adjust to the postwar situation of the German organization led him into practices and controversies sufficiently dubious and bitter to destroy his position in the intelligence effort. Although he was as much or more responsible than any other for initiating the postwar work, he himself was excluded from such work by joint German/American decision and put on ice for the good of the organization as early as 1947 and never regained a position of prominence commensurate with his knowledge, experience and prestige. His detractors saw him as a sinister and corrupt influence whose work could only nullify the cooperative effort, while his defenders maintained that many of the facts of his activities and motivation stood up under scrutiny as well as those of other organization leaders, including OTHELLEN himself. The evidence in the case which was built up against him prevailed, however, and is here presented in brief in the interests of keeping the record at least partially in order.

2. BAUW was born in Odessa, Russia, of German parents, on 17 December 1897, and died in Munich, of cancer of the lung, on 18 December 1951. From 1921 until 1929, he served as German/Russian translator in the German Consulate in Odessa and later, until 1937 when he was drafted into the German Army (with the rank of Captain), held

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the same position at the Consulate in Kiev. In 1938 after entering the army, he was assigned to the Abteilung Zeitschriften, OKW (periodical and publications section of the German High Command) and some time later to the Militär-Geographie, where he worked as a translator of military publications. In 1940 when the Frontaufklärungsabteilung (front reconnaissance performed by intelligence officers assigned to the G-2's of army groups and armies) was activated, BAUN became its chief. At the beginning of the attack on the East in June 1941, he assumed command of a new front reconnaissance command staff known as "Walli I" under terms of a new Abwehr reorganization and at this time came under the OKH/German General Staff/Department Foreign Armies East. Location of the command staff was at Sujejewk, near Warsaw, until the spring of 1942, when under terms of a further reorganization "Walli I" moved to Nikolaiken, East Prussia, and with other Abwehr units came under the jurisdiction of a "Befehlsstab Walli," placed directly under the OKH/German General Staff/ Foreign Armies East and redesignated Frontaufklärungs Leitstelle I Ost. As chief of Leitstelle I Ost, BAUN came under the command of Reinhard GEHLER, Chief, Foreign Armies East. During his assignment to the Abwehr, BAUN's chief task was the training and replacement of agents, most of whom were Russian prisoners who had been persuaded to do front line crossings against the USSR. He remained in this capacity until November 1944, when he "retired" to Berlin preliminary to withdrawal to Southern redoubt areas prior to the end of hostilities. He was arrested (final rank, Lieutenant Colonel) on 29 July 1945 by the 80th MIS Detachment at Hinterberg, as a former member of the Abwehr in the automatic arrestee category.

3. BAUN's activities under the auspices of the US Army in the immediate postwar period, sketched briefly in foregoing sections, would appear to have been characterised by extreme devotion to the cause of continued intelligence activities against the Soviet Union - his anti-Soviet orientation and singleness of purpose being exceeded only by his all-consuming interest in (German) intelligence activities per

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50. However, from the time of GEHLEN's return to Germany in 1946 until BAUN's death in early 1951, BAUN's presence and activities, however dedicated, represented a problem to and within the German organization. Moreover, because of the way in which American (USFET) relations with the German staff were handled in the early days and the fact that difficulties were being resolved by the time CIA assumed responsibility for the work, BAUN can be regarded as having been largely GEHLEN's own personal problem. For three years, from 1946 to 1949, GEHLEN attempted to deal with the situation, through political maneuvering to strengthen his own position, through specific action against BAUN when necessary and/or possible for the purpose of gaining control of BAUN's activities, and at all times with what appeared to be extreme caution and a healthy respect for BAUN's ability to do untold damage to the organization and to GEHLEN's position as leader if he were so inclined. Final solution came only with BAUN's death but was facilitated at an earlier date by BAUN's own activities, rather than in spite of them.

4. The record on BAUN, briefly, is as follows:

a. 1945 until the end of 1946. Energies devoted to contacting and assembling former Abwehr personnel and laying plans for future work. Regarded by GEHLEN as loyal to himself and faithful to instructions. Early American apprehensions concerning work with BAUN, on the basis of assessments made by various investigating officers, mollified by GEHLEN's declaration, transmitted from Washington to Oberursel, that he "guaranteed the person of BAUN."

b. End of 1946. Differences of opinion apparent between BAUN and GEHLEN, following GEHLEN's return, with regard to the relationship of the German organization to the sponsoring American Army unit. View maintained by BAUN that he had made available to GEHLEN and the American Army an organization which belonged to him (BAUN) but that it had never been his intention to create an organization for the Americans which they could then take over. He consequently opposed

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4.

GRHLEN's policy of giving US officers insight into the activities, personnel and structure of the organization, and withheld administrative and operational details of his work for this reason from both GRHLEN and the US staff.

c. Beginning of 1947. As a result of continuing difficulties, BAUN removed by GRHLEN with US approval from his position of Chief of Intelligence (Operations) and put on ice. Deemed inadvisable to drop him outright inasmuch as

GRHLEN's position was not sufficiently secure (vis-a-vis BAUN-recruited personnel) to permit dismissal, particularly in the absence of a strong case proving anything more than policy disagreement.

d. Beginning of 1947 until the end of 1948. So-called cooling period. BAUN placed at a distance and insofar as possible kept from contact with members of the organization. Given an advisory capacity and certain specific tasks to perform (agent training, drafting of plans for activating satellite and Soviet ties on a project basis, preparation of a study on possible British/German cooperations), with the understanding that evidence of good faith on his part would be counterbalanced by burial of past differences and charges against him.

e. End of 1948. BAUN reemployed, in an operational rather than advisory capacity, for "psychological reasons." Given a limited assignment of carrying on recruiting activity among Armenian circles, his work being hedged by certain precautionary measures (assignment of GRHLEN-trusted Henning WILCKE and Gunther GOLLY as close assistants and the advance of small sums of money to finance activities).

f. End of 1948 until August 1949. Renewed operational activity undertaken by BAUN, who occupied himself with plans for building an organization to run operations in the Middle East and working out details of economic cover for such work. All plans for Middle Eastern activities submitted to the American staff in project form, including true names and operational data; the export-import firm

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TETRA G. m. b. H., with Roman SCHLISBERG as manager, established despite overall organizational cutbacks which precluded large scale financial backing anticipated by BAUN; a W/T station, "Funkpostdienst," set up for the monitoring of the traffic of Soviet controlled radio transmitters. Alfred KRETSCHMER assigned as BAUN's deputy on 1 August 1949, with specific responsibility for the correct operation of BAUN's office and full permission to investigate any questionable practices, following submission by GEHLEN to GEHLEN of a report indicating that BAUN was extending his connections beyond specified limits.

g. 1 August 1949 - 1 November 1949. Period of investigation and close observation of BAUN, during which KRETSCHMER discovered certain "obscure" financial transactions and "unfair" intelligence activities being engaged in by BAUN. Opening of a full investigation which disclosed that despite precautionary measures BAUN had been able to misappropriate approximately 35,000. BAUN dropped, effective 1 November 1949.

5. The problem of BAUN was the result of unforeseen (by GEHLEN) historical developments which gave free rein to BAUN's imagination and expectations, both for the future of the work and for his own position in that work, complicated by traits of character and personality which made compromise or adjustment difficult if not impossible. Unable to accept the idea of subordination, even in a contractual arrangement, to young and inexperienced American Army officers, BAUN was led by his ambition for and consuming interest in a German service to take what appeared to others to be devious and dishonest means to achieve what undoubtedly seemed to him to be legitimate and necessary ends. His indictment consisted initially of failure to conform to the overall plan for cooperation negotiated with the American Army by GEHLEN, followed by falsification of information submitted in compliance with enforced American operational requirements, and subsequent misappropriation of funds made available to him in good faith on the basis of plans and claims drawn up by him. He maintained until he died that he never gave any information

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intelligence negotiations, an argument which has been considered by the American to be a telling one in view of certain funds, practices and abuses known to exist elsewhere in the organization. Whatever the merits of reasoning that EIC's crimes were not so great relatively speaking, the irony of conclusion based on the most concrete measure of EIC's ability and intelligence potential ever obtained by CIA is inescapable. In the summer of 1943, EIC submitted nineteen project outline forms, in large part formalizing plans for utilizing American connections allegedly made available for this purpose to EIC by General DFO, which on preliminary study were adjudged to be significantly better and more thoroughly worked out than any other strategic projects submitted by the German organization and to offer prospects of profitable exploitation; on closer examination, they proved to be well worked out but largely fictitious (i.e., based on the utilization of real persons whose consent and cooperation had never been obtained). Prior to this time and subsequently, the AIC position had been not again because that EIC was unacceptable in the position of leadership which he focused on that solution could have to be found which would remove him from my position in which he could "do" the work.

6. For those interested, the EIC findings which are being furnished with this study will be found to contain a number of interesting documents, including: EIC's own "Journal of" early postwar intelligence dealings; more, perhaps, plans for future German work, etc.

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MENTION OF ZIPPER IN ICCG MEETINGS

Although ZIPPER has never appeared on the ICCG agenda as a policy issue the organization has been mentioned from time to time in meetings. Following are a number of extracts from minutes of ICCG meetings in which ZIPPER was mentioned:

Meeting No. 7
5 May 1952
Paragraph 2....

Future German Intelligence Operations: General McClure asked the Chairman if there has been any agreement concerning the extent of future German intelligence operations.

In the ensuing discussion, General Truscott outlined his views on the expected development of a German collection effort. At present the Verfassungsschutz and various branches of the German Police have certain intelligence aspects; however, these should not be matters for concern at this time. The ultimate desire on the American side is that the Gehlen Organization become the basis for the future German intelligence service and negotiation have been carried on toward the eventual achievement of this goal.

Meeting No. 8
18 June 1952
Paragraph 3....

The ICCG Sub-committee studying U.S. Intelligence coverage of the EAST zone of Germany submitted its report....Among other items the following point was brought up.

c. A great deal of the Zipper effort has been misdirected and can be improved.

Meeting No. 14
12 March 1954
Paragraph 8....

Other [redacted] Liaison:

a. You are all familiar with the Gehlen organization and I believe, most of you have visited Pullach and have been briefed on its work and functions. I do not consider the Gehlen Organization to be a purely German effort, but rather an American controlled outfit. As you know, there is much discussion going on in Federal government circles as to the future form which this organization will take as a German intelligence service. Today, it looks as if the organization itself will come under the control of the Federal Chancellor rather than be placed in the Blank Office or Foreign Office.

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Meeting No. 16
29 July 1955
Paragraph 2....

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b. GEHLEN Organization (by Mr. Critchfield):

Mr. Critchfield said that when the BfV was organized, Gehlen was considered as its possible chief, but in the subsequent organizational discussions, JOHN was appointed, with Radke, a member of the Gehlen staff, as his Deputy. He handled nearly all of the BfV/Gehlen matters, as Gehlen distrusted JOHN. He believed JOHN to be either a [redacted] agent or strongly pro-[redacted] and JOHN, in turn, remained distrustful of Gehlen. As a consequence, Gehlen sanitized all information exchanged with the BfV. The only exception to this was during the recent Berlin Conference when the BfV and the Gehlen organization collaborated to prepare the "White Book" on East Germany. Although this report was based mainly upon intelligence analysis, it could, operationally, indicate the effectiveness of certain target coverage. Based upon this information, Mr. Critchfield did not believe that JOHN's disappearance hampered Gehlen operations.

Even though JOHN's disappearance will cause a wave of resentment against Allied sponsored organizations and individuals, Mr. Critchfield expressed the view that one of the results would be to increase the prestige of Gehlen in German circles. Through JOHN's disappearance Gehlen remains the primary German personality in intelligence activities and the eventual integration into the German government of his organization can be considered as assured.

Meeting No. 16
29 July 1955
Paragraph 4....

Report on Probable GEHLEN Integration:

Mr. Critchfield repeated that the effect of JOHN's disappearance had increased Gehlen's prestige and that now, more than ever, it was quite probable that Gehlen's organization would be integrated into the West German government. This, he stressed, will give rise to many problems inherent in dealing with a sovereign organization and it would be wise for the ICCG members to bear this in mind. Internal arrangements and discussions have already taken place in the Federal Republic concerning the integration of the Gehlen organization, but Mr. Critchfield commented that the timing remained unknown.

Meeting No. 19
16 May 1955
Paragraph 7....

In discussing the implementation of DCID 5/1 General Truscott, in

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illustrating what can be accomplished in the way of successfully coordinating operations mentioned the exercise which had recently taken place in comparing birthday lists of USARHIC and ZIPPER agents.

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